

February 14 1990
strengthen
markets

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

ITALY
Leaning away from
the new Europe
Page 15

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World News

Guinness jury discharged, judge orders restart

Guinness trial of four City of London businessmen was halted after a jury asked to be excused on health grounds. The judge discharged the entire jury at Southwark Crown Court, London.

Mr Ernest Saunders, former chairman and chief executive of Guinness, and three other businessmen have been charged with conspiracy to defraud Guinness in 1986 takeover battle for the Distillers drinks group. Report and analysis, Page 10

Polish concern

Foland wants to take part in negotiations on German unification, to ensure its borders and security are guaranteed, Prime Minister Tadeusz Mazowiecki said. Page 16

Mandela statement

Nelson Mandela held out the prospect of a negotiated settlement in South Africa, but urged the end of the parliamentary term in 1994 and urged whites to support the Government. ANC under pressure, Page 4

UK concedes on HK

Britain backed down after intense diplomatic pressure from China and agreed to slower democratic development in Hong Kong. Page 16

Afghan peace plan

Edward Shevardnadze, Soviet Foreign Minister, proposed demilitarisation of Afghanistan and a four-power peace conference in a plan for ending the Afghan civil war. Page 4

China ethnic worries

China's minister in charge of the 50m minority population expressed alarm over recent ethnic unrest across the border in the Soviet Union. Page 4

Arens visits Bonn

Moche Arens, Israeli Foreign Minister, flew to West Germany signalling a significant softening of Israeli concerns about German reunification. Page 4

Indian Airlines crash

Indian Airlines Airbus crashed just before landing at Bangalore airport, southern India, killing 32 of the 148 passengers.

'Star Wars' mission

US launched a rocket to deploy two spacecraft to test 'Star Wars' anti-missile lasers, a military spokesman said.

Netherlands strikes

The Netherlands was hit by a series of strikes as workers protested against job cuts and wage offers.

Srinagar clashes

Six people were killed in clashes between Muslim militants and security forces in Srinagar, Indian state capital of Jammu and Kashmir, officials said.

US baseball row

US baseball club owners locked out players in an arcane fight over pay practices which threatens to delay the start of the season. Page 4

Bucharest protests

Bucharest was hit by anti-government street protests and unrest within the Armed Forces led to strike action by military personnel. Page 2

Beer drinkers unite

Pilsen town, which gave its name to the beer, is forming a Beer Drinkers Party to stand in Czechoslovakia's June elections.

INTERNATIONAL DRUGS TRADE

US President George Bush and Presidents Virgilio Barco of Colombia, Jaime Paz Zamora of Bolivia and Alan Garcia of Peru are scheduled to have a five-hour drug summit in Cartagena. It establishes for the first time the principle of co-responsibility for the drugs problem. Reports, Page 6

Business Summary

Home buyers in the UK face rise in interest rates

Home buyers in the UK face a new round of mortgage interest rate increases after Abbey National, the second largest home loans and savings institution, raised its rates ahead of the market.

In a move which took other lenders by surprise, Abbey National increased its basic mortgage interest rate from 14.5 per cent to 15.4 per cent. Abbey National has also raised its rates to savers by 0.75 percentage points. Page 16; Lex, Page 16

MARKETS: Johannesburg's market plunged

Johannesburg's market plunged, with the JSE Gold index falling 108 to 1,921 while the Industrial index slid to 3,051, a fall of 84. Foreign investors sold stock amid concern over Nelson Mandela's hard-line stance on talks with

FT Gold Mines Index



the South African Government and the issue of nationalisation. Back page, Section II

West Germany's record-breaking run generated stock exchange turnover worth DM224bn in January. Activity improved in most other European countries - except France. Back page, Section II

DREXEL Burnham Lambert

Wall Street investment bank, which filed for bankruptcy, continued to dismantle its business, selling assets and securities, a process which appears to be going smoothly. Page 17

JAPAN'S merchandise trade

surplus was almost wiped out in January because of a customary seasonal slump in exports and a big rise in the cost of oil imports. Page 16

HANSON GROUP of the UK

will sell its 70 per cent stake in Mount Goldworthy Mining Associates to BHP, Australia's biggest company. Page 17

BRITISH AIRWAYS posted

third-quarter profits of £71m, an increase of 39.2 per cent on the previous year. Page 17

EUROPEAN Commission has

started legal action against Belgium and Italy for failing to implement EC legislation on unit trusts that came into effect last October. Page 3

TOYOTA Motor, Japanese auto

maker, reported a 26.1 per cent increase in pre-tax profit to ¥329.9m (\$2.3bn) in the first half to December. Page 20

UK OIL companies were not

colluding to keep the price of petrol artificially high, the Monopolies and Mergers Commission found after a year-long investigation. Page 10

DAIMLER-Benz, of West Germany,

will report higher-than-expected group profits this year following a switch in accounting practice. Page 13

WESTLAND, UK helicopter

manufacturer, has signed a memorandum of understanding with Aerospaciale of France and Messerschmitt-Bölkow-Blohm of West Germany to join the development project of a new army support project. Page 11

PRUDENTIAL Insurance company,

of the US, and Jones Lang Wootton, UK property advisers, have linked with seven other financial institutions across the world to start a \$2m property investment programme. Page 21

Perrier to withdraw and destroy all stocks

By William Dawkins in Paris

SOURCE PERRIER, the French mineral water group, is immediately withdrawing and destroying its world stocks of 160m bottles after the discovery of minute traces of benzene in some shipments.

The move, presented by the company last night as an attempt to wipe the slate clean after possibly the most serious setback in its history, will cost Perrier Fr200m (\$115m) after tax or Fr400m before tax.

The announcement came as the French Stock Exchange authorities launched an inquiry into unusually heavy buying of Perrier options. The crisis, which blew up over the weekend, threatens to dent severely Perrier's world dominance in bottled water.

"We do not want the slightest doubt, however small, to weigh on our product's image of quality and purity," said Mr Gustave Leven, the group's 75-year-old chairman, who refused to comment on the stock exchange inquiry.

In Britain, Asda, a leading food retailer, said last night it was clearing its shelves of Perrier water and would be stocking up with its own-label bottled water instead.

Other retailers are expected to follow a similar course of action. Most of the large groups have procedures to follow in the event of difficulties with products.

Perrier officials estimated that it could take between two days and three weeks, depending on distance, to replace its stocks, which would normally represent two to three months' supply. Perrier production restarted on Monday after the

group's bottling lines, which are based in the southern French town of Vergèze, had been dismantled and cleaned.

The water had been declared pure by French national health authorities, said Mr Leven. Both the French and British ministries of health had confirmed that Perrier posed no risk to health, he said.

Perrier's shares continued to fall in the after-shock of the weekend announcement that US public health officials had found minute traces of benzene, which can contribute to

cancer. They dropped Fr60 to Fr143 in Paris yesterday, 4 per cent down on the day and 16.5 per cent down since last Friday, before the crisis broke.

The group believed the problem was caused by a gradual build-up of benzene, immeasurably small quantities of which can naturally occur in water, in a filter in its French plant, rather than the introduction of benzene from cleaning fluid or some other outside source, as originally feared. All filters had been changed as a result. Continued on Page 16

day as troops opened fire on rioting crowds. However, interior ministry officials yesterday put the death toll since riots began on Monday at just 12.

Interfax, the Moscow radio service, said rioting continued day and night in the city, with gangs of youths raiding shops and private houses, smashing up vehicles and attacking bystanders. It said residents were forming self-defence units. It spoke of large groups of young men wearing traditional costumes roaming the streets and said: "Dozens of young girls have been raped and beaten for failing to wear folk kerchiefs or for having short hair."

Glasnost, an unofficial radical publication, said the disturbances had been fomented by a small group of militant Moslems from Azerbaijan who arrived in Dushanbe at the weekend and spread the rumours about Armenians.

Dushanbe has a critical housing shortage and locals often have to wait up to 10 years to receive accommodation from city authorities.

However, western analysts yesterday treated with caution claims that the disturbances arose from Moslem fundamentalism.

"Islam might be a convenient focus for the discontent, but its roots are economic," said one analyst. "It is not part of any pan-Islamic uprising."

Iran's state-run radio yesterday broadcast a warning to Moscow not to use violence against the Tadjiks, a people closely linked by language and culture to northern Iranians. Iranian diplomats in Moscow refused to comment on the report. Mass demonstrations planned, Page 2

phone, said that troops which had been mobilised to enforce a state of emergency declared on Monday had not been ordered to bring the situation under control.

Tass, the Soviet news agency, said conditions in the city "deteriorated sharply" yesterday.

Moscow media reports have said that 37 people were killed in Dushanbe during unrest on Monday and Tuesday, apparently sparked by anger at rumours of privileged housing treatment being given to Armenian refugees.

Local journalists said a further eight were killed yesterday.

Gorbachev urges tough laws as ethnic violence worsens

By Mark Nicholson in Moscow

PRESIDENT Mikhail Gorbachev called yesterday for tough laws to curb ethnic violence in the Soviet Union. He was speaking amid reports that eight more people had been killed in continued clashes between troops and demonstrators in the Tadjikistan capital of Dushanbe.

The Soviet leader told the opening session of the Supreme Soviet, the standing parliament, in dramatic terms that the laws would counter what he called dangerous fires of ethnic strife which had spread to Dushanbe from Azerbaijan, where more than 140 people died in disturbances in January.

"There is a kind of chain reaction accompanied by an orgy of violence," Mr Gorbachev said. "The country's destiny and the safety of our people are at stake. We must do everything to put out the fire."

In spite of his words, however, the Soviet leader failed in his attempt to summon an emergency session of the Congress of People's Deputies - the country's supreme constitutional authority - to extend the executive powers of the presidency.

He had called for the Congress to be convened on February 27, saying that strong central powers were needed to tackle the crisis in the country. He said now was the time "to decide all these questions. More time could finish off the country."

The deputies, however, insisted on debating the question before deciding on a date. Mr Gorbachev blamed the violence in Azerbaijan and Tadjikistan on nationalist extremists.

"They are inconspicuous among the mass of people and push young people, women and children to the fore, forcing them nearly at gunpoint to make statements and sign petitions, anti-constitutional acts," he said.

He gave no details of the proposed laws on ethnic violence, though he said they had been drafted and would be adopted as soon as possible.

Mr Gorbachev's speech preceded a third day of clashes throughout the Tadjikistan capital in which local residents contacted by telephone said troops were firing at crowds in the streets from armoured vehicles.

The Tadjikistan news agency, also reached by telephone, said that troops which had been mobilised to enforce a state of emergency declared on Monday had not been ordered to bring the situation under control.

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Mikhail Gorbachev addresses the opening session of the Supreme Soviet yesterday

EC states expected to bring forward economic union talks

By John Wyles in Rome and Philip Stephens in London

EUROPEAN COMMUNITY member states are expected to agree shortly to bring forward, possibly to July, their negotiations on a plan for achieving economic and monetary union on unit trusts that came into effect last October. Page 3

Soundings are being made in

Community capitals by the governments of Ireland, which is current holder of the EC presidency, and of Italy, which takes over in July. EC officials say the emerging response is broadly favourable, although they say reservations are expected from London.

The British feeling is that any decision to bring forward the conference would be premature as well as premature work among senior finance ministry officials and central bankers has only just got underway. It also sees German monetary union as further complicating the process of closer European integration, therefore necessitating more, not less, detailed work before a full conference is convened.

Italy, however, feels equally strongly that West and East German moves must be paralleled by an equivalent attempt to achieve EC economic and monetary union (EMU) - hence its desire for an early intergovernmental conference.

Mr Giulio Andreotti, Italian Prime Minister, and President François Mitterrand of France agreed during talks in Paris on Tuesday that the Italian initiative should go forward. The French president implicitly ordered it in an interview published yesterday by eight French regional newspapers.

"I think that the acceleration of the inter-German process should be accompanied by acceleration of the European process. Why wait until December, for example, to hold the inter-governmental conference scheduled for that purpose?" the French President said.

Both governments apparently believe a decision to accelerate EC integration would help reassure the Soviet Union that German reunification will take place in a secure

Community framework. Moreover, both were unhappy at last December's EC summit in Strasbourg that Mr Helmut Kohl, West German Chancellor, was not prepared to hold the conference before his national elections this November.

The fact that he is now moving with all haste towards such links with East Berlin is seen as somewhat invalidating his original political caution over the process at a European level.

Rome is also keen to establish a political link between German and Community moves towards EMU, believing that Bonn-Berlin moves will have an impact on the EC over all Italian ministers want to ask the European Commission to supplement a report on EMU it is due to produce by the end of March with another assessing the probable effects of the

Continued on Page 16

Politics of the Mark; Page 14; Dutch may move on the guilder; Page 16

Banks freeze funds after new Eurotunnel row

By Andrew Taylor in London

A FRESH row has broken out between Eurotunnel and contractors building the Channel tunnel which is threatening temporary financing arrangements agreed last month with the group's bankers.

The banks have frozen any further payments to the project until the two sides can reach agreement on management changes proposed at Eurotunnel. The contractors insisted on the changes as a precondition to signing the temporary financing agreement.

The five British and five French construction companies have declined to sign the agreement. They are unhappy with Eurotunnel's proposals which, they say, would make Mr Alastair Morton chief executive as well as Eurotunnel's joint chairman.

They have also started legal proceedings in Nanterre in France against Eurotunnel for non-payment of money due this month to Transmanche Link, the construction consortium.

Eurotunnel refused to comment last night after a day which saw the group's shares falling 34p to 584p.

Under the temporary financing agreement, Eurotunnel would be permitted to spend up to £400m (\$676m) during the next few months to allow construction to continue while extra funds to complete the project is raised.

The latest row, however, illustrates the deep rift between the contractors and Mr Morton who has publicly criticised their performance, blaming them for delays and the mounting cost of the project. This has risen to £7.2bn

from an original forecast of £4.8bn.

A letter sent by Mr Peter Costain on behalf of the ten contractors to Mr Morton last month accused him of making statements that were "inaccurate, incomplete and calculated to mislead."

It continued: "You are quite well aware that we would not have signed the agreement were it not clear that far-reaching senior management changes in Eurotunnel were irrevocably committed. If the project is to survive, a dramatic improvement in the way that the owner exercises its management of the contract is essential."

The contractors had hoped that a new chief executive would act as a buffer between them and the combative Mr Morton, who would be left free to concentrate on raising fresh finance.

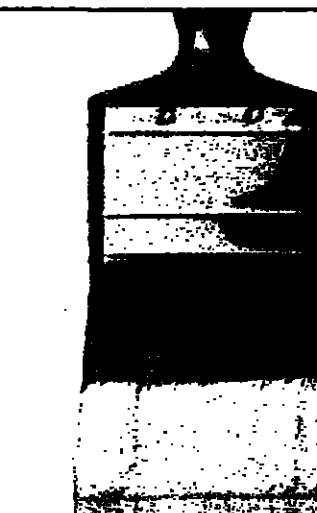
Under the changes proposed by Eurotunnel, however, Mr Morton would take over a new post of chief executive while Mr Alastair Fleming, currently a senior executive with BP Oil, would take over responsibility for the construction contract.

The contractors say one of the main reasons for the increased cost of the project has been changes in specifications made by Eurotunnel. The changes follow demands for greater safety and security after a series of fatal railway accidents in Britain and France in recent years.

The contractors say Mr Morton's confrontational approach to the project has made it difficult to develop common strategies to cope with the problems of extra costs.

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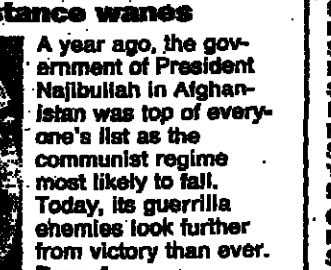
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MARKETS

Najibullah thrives while the 'ragtag' resistance wanes

A year ago, the government of President Najibullah in Afghanistan was top of everyone's list as the communist regime most likely to fall. Today, its guerrilla enemies look further from victory than ever. Page 4



STERLING

New York close
\$1.5975
London:
\$1.5975 (same)
DM2.835 (same)
FF16.645 (0.8375)
SF2.53 (same)
¥244.75 (244.0)
£ index 38.4 (same)

GOLD

New York Comex Apr
\$329.4 (22)
London:
\$415.25 (418.25)

US OIL (Argus)

Brent 15-day
\$18.4 (19.8)

DOLLAR

New York close
DM1.5775
FF16.7035
SF11.4922
¥144.425
London:
DM1.5715 (1.5765)
FF16.685 (5.7)
SF11.492 (1.4925)
¥144.25 (144.35)
£ index 67.0 (67.1)

US Treasury Notes

Fed Funds 5 1/4 %
3-mo Treasury Bill:
yield: 7.85 %
Long Bond:
10 1/2 %
yield: 8.4 %

STOCK INDICES

FT-SE 100:
2,288.3 (+5.1)
FT Ordinary:
1,822.4 (+4.3)
FT-A All-Share:
1,149.07 (+0.2 %)
New York close
DJ Ind. Av.
2,824.32 (+0.22)
S&P Comp
332.01 (+0.88)
Tokyo Nikkei
37,155.59 (+46.86)
LONDON MONEY
3-month interbank
closing 15 1/2 (same)
Libor long gilt future:
Mar 87 3/4 (87 1/2)

EUROPEAN NEWS

The division of Germany is a yawning chasm on supermarket shelves

E Germans hope for consumer revolution

By Andrew Fisher in Berlin

AS THE two Germans speed towards unity more quickly than most people dreamed possible even a few weeks ago, the hope among poorer East Germans is that their living standards can rapidly approach those of the West.

But a rapid comparison of shops on both sides of the Wall that once divided Berlin shows that East Germany has a lot of catching up to do. The price of a basket of basic goods is certainly a lot cheaper in the east. But West German consumers have the advantages of greater choice and far better quality, a shopping environment that is mostly pleasant and friendly rather than starkly utilitarian, and faster service.

In a big supermarket near the centre of East Berlin beneath the huge television tower, a litre of milk costs 66 East German pennies. A loaf of bread is 80 pennies and 5kg of potatoes 1 Mark. A few kilometers away, in the pulsating centre of West Berlin, the milk costs DM1.50, the bread DM4 and the potatoes also about DM4.

However, the comparisons must be seen against the widely differing pay packets of

West German D-Mark	East German Mark
1.50	0.66
4.00	1.00
17.00	10.00
0.80	1.30
6.50*	15.00**
4.00	3.00
1.00	2.00
4.00	0.80
2.20	2.20
*100 gm	**50 gm

the two Germans and the exchange rate. Currently, the official East German exchange rate is 3 Marks for DM1. But at least five-to-one can be obtained in the west and not long ago the unofficial rate was 10 to one. Some East German economists and politicians want a one-to-one rate in the event of a currency union.

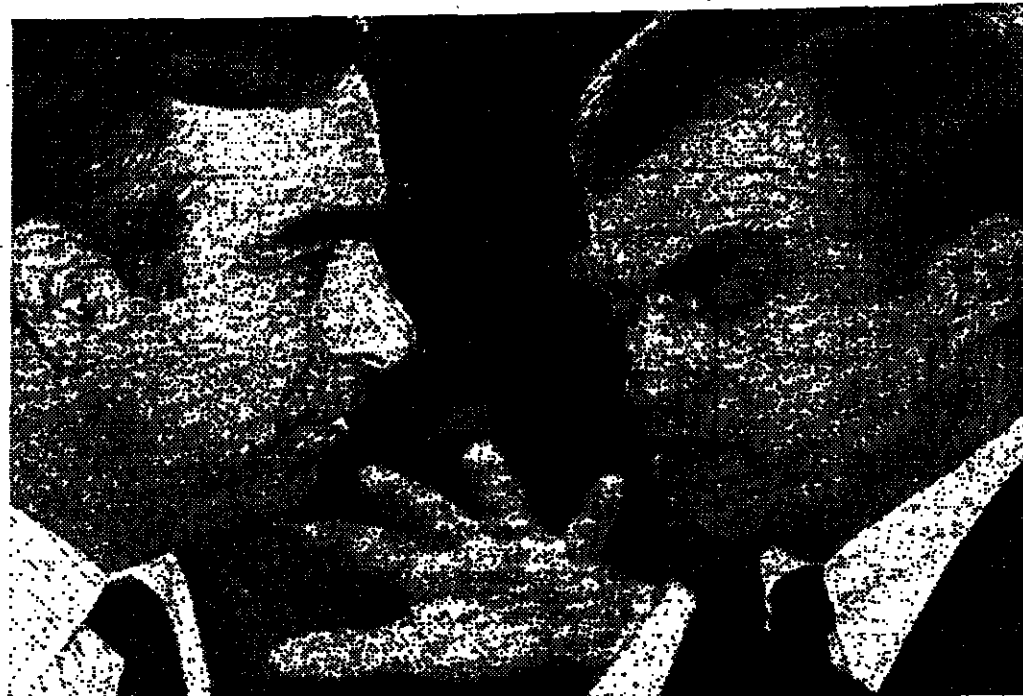
Meat is certainly cheaper in East Germany, where a kilo of pork schnitzel costs 10 Marks compared with DM17 across the border. But as a meal in a typical restaurant will show, the quality is much lower in the east. A packet of 20 cigarettes costs 3 Marks against DM4, while a bottle of beer is around 1.20 Marks against 80 western pennies.

Shopping comparisons exclude rents, which are incredibly low in East Germany after decades of subsidised accommodation. In West Germany, they are vastly higher and rising.

But the income difference is also big. The average monthly net wage in East Germany is about 1,000 Marks; in West Germany, it is nearer DM2,500. But then productivity in East Germany is put at roughly half that of West Germany.

Nor do the prosperous West Germans have to wait patiently for a little wire basket before being allowed into their supermarket. In East Germany they have to queue before entering, and then again at slow check-outs. The range of goods is limited and boringly packaged, and quality often poor.

And that is in East Berlin, whose citizens have mostly been better provided for than elsewhere in the country. Supermarkets in the east have nothing like the colourful displays of pineapples, bananas, kiwi fruit and other exotic products that supermarkets in Berlin and other West German cities contain.



West Germany's Finance Minister, Mr Theo Waigel (left) and Mr Helmut Haase (right), his colleague at the Economics Ministry, get their heads together before a cabinet meeting yesterday to discuss a supplementary budget for aid to East Germany.

Allies signal imminent end to policing of flights to E Berlin

By David Marsh in Bonn

THE US, Britain and France have told the Bonn Government that the Western Allies will end their policing of flights to East Berlin by the end of the year.

The offer by the western Allies, part of suggestions for wide-ranging liberalisation of Berlin air traffic, will be discussed in a meeting on Friday between the Bonn Foreign Ministry and senior diplomats from the three Nato partners.

News of the breakthrough, which seems likely to allow Lufthansa to fly to Berlin before the end of the year, came as Mr Hans Modrow, the East German Prime Minister, ended a two-day visit to Bonn. Mr Modrow left the West German capital claiming he was disappointed with lack of progress on West German aid for the beleaguered East Ger-

man economy.

Bonn and East Berlin have agreed to start detailed talks next week on economic and monetary union, but Mr Christa Luft, the East German Economics Minister, yesterday accused Bonn of lacking a concept for bringing together the two states' economic systems.

By contrast, Ms Luft described as "good" her talks yesterday with Mr Helmut Rühmann, the Lufthansa chairman, on improving air traffic between the two Germanys.

Mr Rühmann has in the past accused the western allies of obstructing efforts to modernise East and West German air transport arrangements.

Under regulations dating from four-power control of Germany at the end of the Second World War, only airlines owned by the three western Allies can fly between West Germany and West Berlin, in

three separate air "corridors" laid down at the end of the war.

At Friday's talks, the Bonn Government will present a joint paper drawn up by the Transport Ministry in coordination with other government departments to sketch out a new air traffic regime.

Lufthansa and the East German airline Interflug have since last summer started an increasing number of flights between the two states. By the end of March there will be 31 weekly connections.

Although these are not currently permitted to cross the East-West German border, Lufthansa hopes for approval from the Allies for regular flights - for instance from Frankfurt to Dresden - to cross the border rather than flying via Czechoslovakia.

Osram and Zeiss start reunification talks

By David Goodhart in Bonn

OSRAM, the lighting company, and Zeiss, the optics group, two German companies split in half by the division of the country, have announced talks aimed at bringing the two halves together again.

Osram, the West German subsidiary of Siemens, may buy a majority stake in the East German Narva group, which partly consists of former Osram businesses.

Carl Zeiss Oberkochen, the West German group, is unlikely to be invited in the short term to make a bid for Carl Zeiss Jena, the East German group, as the latter is one of the flagships of East German industry. However, a wide range of co-operative projects are envisaged between Osram and Zeiss.

Other East-West German co-

operations announced in the past few days include:

• Goldwell, one of the world's biggest producers of hair and skin care products, based in Darmstadt, has announced a joint venture with the hair division of the main East German cosmetics group, Goldwell.

• Huel, the West German chemicals group, has announced closer co-operation with its former East German sister company Buna.

• Preussag Elektra, part of the West German Veba group, and Bayernwerk, another West German energy group, have announced provisional plans to build in co-operation with East German groups two small coal-fired power stations.

Other East-West German co-

MEPs delay environment agency

By David Buchan in Strasbourg

THE European Parliament yesterday delayed creation of the European Environment Agency in protest at its lack of inspectors to compel and check data from EC member states.

Mr Carlos Ripa di Meana, the Environment Commissioner, then accused MEPs of an excess of pro-green zeal in having amended the plan to include an inspectorate which itself had no hope of winning the necessary unanimity among the Twelve.

The prospect of a "pollution police" is sure to turn Spain, for one, from reluctant acquiescence to open opposition.

MEPs sent the issue back to their environmental committee. This delays by at least a month action by the Council of Ministers, in the hope that Strasbourg can wring some concessions from Brussels and EC states. Last week Mr Ripa di Meana told reporters that some of the 12 member states disregarded many laws, that others contested the validity of existing environmental rules and that some nations, particularly Belgium and Italy, failed to respect rulings by the European Court of Justice.

Among the member states, Spain was the worst offender, followed by Belgium, Greece, France and Italy.

Petre seeks to prevent mutiny

By Robert Taylor in Stockholm

ROMANIAN Prime Minister Petre Roman yesterday sought to prevent a mutiny in the armed forces by agreeing to investigate allegations of military involvement in the killing of civilians during last December's revolution. Reuter reports from Bucharest.

Mr Roman was under pressure to calm a tense situation as a crowd of about 3,000 uni-

formed army and air force personnel gathered outside the headquarters of the ruling National Salvation Front (NSF).

The military demonstrators demanded a complete public accounting of the army's role in the deaths of up to 700 civilians in clashes which led to the overthrow and execution of dictator Nicolae Ceausescu.

Swedish Government faces defeat and deadlock in polls

By Robert Taylor in Stockholm

SWEDEN'S minority Social Democratic Government faces parliamentary defeat today over its wage, price, rent and dividend freeze but many observers do not believe an early general election will provide an answer to the crisis.

"Our problems are as much constitutional as they are economic," said a senior adviser to Mr Ingvar Carlsson, the Prime Minister, yesterday.

The trouble lies in Sweden's constitution, which came into force in 1974. This involved the creation of a single-chamber parliament, reduction in the length of the parliamentary mandate from four to three years with concurrent elections at national and local level, and introduction of proportional representation with an allocation of seats between all parties polling over 4 per cent of the vote.

The constitution has contributed to making a conspicuously stable political system more unstable than it has been since the 1920s," argues Professor Olof Ruin at Stockholm University.

The combined effect of the reforms - designed to produce a more democratic system - has been to undermine strong government in Sweden and encourage party fragmentation.

Last week, Mr Carlsson said the constitution put big demands on the political parties; it required their willingness to conciliate and compromise in order to prevent political paralysis.

But with only three-year intervals between elections, parties were reluctant to identify themselves with tough policies.

"The short-sighted perspective leads to discontinuity and haphazardness on the part of government," argues Professor Ruin.

For the first two years under the 1974 constitution the ruling Social Democrats under the late Olof Palme with Communist support had to rely on the Speaker's casting vote for a majority of one in the then even-numbered 350 strong Parliament.

From October 1976 to September 1982 there were no less than four successive non-Socialist coalition governments,

With Communist support the Social Democrats have governed ever since but with a dwindling joint majority.

At the 1988 general election 42.3 per cent of voters backed the Social Democrats, ensuring the party 156 seats out of 348. By contrast, Britain's Conservative Party polled 42.3 per cent in the 1987 general election but, thanks to the first-past-the-post system, won 378 of the 650 seats.

There is little likelihood of Sweden changing to a UK-type system. In fact, Sweden appears to be moving closer to its political instability to what is happening now in Norway and Denmark where coalition governments rule uncertainly almost from day to day and never sure of winning a majority in Parliament for any of their policies.

Sweden's balance of payments deficit more than doubled to SKr32.5bn (23.1bn) last year from SKr13.6bn, according to preliminary figures. The deterioration was particularly marked in the last two months when there was a SKr11.9bn rise in the deficit, mainly due to a huge outflow of capital.

Soviet democracy groups plan mass action

By Quentin Peol in Moscow

Organisations campaigning for multi-party democracy in the Soviet Union are planning co-ordinated mass demonstrations in Moscow and cities across the country to demand a round-table conference with the Communist Party, timed for just one week before the next round of republican elections.

Plans were agreed on Tuesday night, as reports of popular demonstrations against Communist Party leaders in many parts of the country continued to flow into the capital.

At the same time, fears are growing among independent candidates standing for next month's elections in Russia, Ukraine, and other republics, that the authorities may use popular unrest to postpone or restrict the poll.

The attempts by the opposition forces, grouping social democrats inside and outside the Communist Party, the Memorial movement to rehabilitate victims of Stalinism, the Democratic Union, and others, come as President Mikhail Gorbachev suffers a setback in his attempts to call an emergency session of the Congress of People's Deputies to decide on changes to the Soviet constitution extending the executive powers of the presidency.

Two new organisations have been formed this week to challenge the power of the party and press for sweeping democratic reforms.

One is a Citizens' Action Committee, planning a big demonstration in Moscow and other cities on February 25. The other is a bloc of candidates for the Russian elections, called Democratic Russia, which wants to become an independent political force in the Union's most important republic.

"The organisers expect 100 people or more," according to one participant at the action committee meeting, which was chaired by Mr Yuri Afanasyev, a leader of the Inter-Regional Group of people's deputies.

However, mass protests were already reported yesterday from Vladivostok, the Soviet Far East, from Tyumen, the main oil-producing region of Siberia, and from Byelorussia. In Vladivostok, the protesters are demanding the resignation of the entire Communist Party and trade union leadership in the region.

A party plenum is to be held today.

In Tyumen, oil workers staged a revolt in the Surgut area, where they apparently seized the headquarters of the Communist Party committee, and the local soviet, to protest against bad working conditions, lack of decent food supplies and basic social services, according to the independent Glasnost newspaper.

Radio Moscow's Interfax news service reported last night that thousands of Byelorussians in the town of Mogilev are demanding the immediate resignation of the republican communist party and government leaders.

Many of the demonstrations reflect heightened tension and activity in the run-up to elections in Russia, Byelorussia and the Ukraine on March 4.

Mr Gorbachev himself admitted that growing crisis of confidence in the country when he opened the Supreme Soviet session in Moscow yesterday.

"There is growing dissatisfaction in the country with the pace, rates and results of perestroika, with the situation on the consumer market, the exacerbation of inter-ethnic problems and the slackening of order," he said.

However, he failed to persuade the deputies to summon an immediate new session of the Congress of Deputies - the supreme constitutional authority - on February 27 to amend the constitution.

"Today is the time to decide all these questions. More time could finish off the country," Mr Gorbachev warned.

However, the deputies insisted that they be given more time to debate the question, and simply agreed to set aside time for such a debate in their legislative agenda, on which they want to include 50 separate items.

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EUROPEAN NEWS

Dublin lets fishermen off the hook

By Kieran Cooke in Dublin.

PEACE has broken out in the west of Ireland. The boatmen have been let off the hook. More than a few drinks have been taken. The Irish "Red War" is finally over.

It started in early 1988 when the Government introduced an annual £15 (£14) licence for trout fishing. This caused apoplexy among Ireland's angling fraternity, a fiercely independent and canny breed.

It was not the money, said the anglers. It was a matter of principle. In the west, bloody battles had once been fought with British landlords for the right to fish. The Irish Government was not going to take that away.

The anglers accused the Government of trying to take control of the country's 600,000 acres of lakes and 9,000 miles of river. Waters would be given over to fish farming and some of the world's best fishing waters would be declared off limits.

The Government insisted on the licence. There was no such thing as a free fish, it said. The anglers imposed a fishing boycott. Boatmen refused to take visitors out on the lakes. Signs saying "Licensed Anglers not Welcome Here" were erected.

The dispute grew nasty. Those who tried to fish had their boats towed in half. Visitors were mistreated. A party of German anglers who brought licences and went fishing had their car tyres slashed. French anglers had their rods confiscated by water bailiffs.

Tourist revenues, of more than £100m per year were lost as foreign fishermen stayed away. The Roman Catholic church intervened to try to solve things, but to no avail.

The dispute had political implications. In a general election last June the Fianna Fail party, led by Mr Charles Haughey, lost its majority. Mr Haughey, lost vital votes in marginal constituencies in the west of Ireland. As a result Fianna Fail, for the first time in its history, was forced into a coalition.

But now, under a complicated formula agreed by anglers and the Government, the dispute is settled. Concessions have been made by both sides. The Government has abolished the fishing licence. Boat anglers have agreed to form co-operatives to help finance fishery developments.

Today is the first day of the trout fishing season. It's great news for the anglers. Not much good news for the fish.

Portugal tells investors it is 'gateway to Europe'

Lisbon believes it can withstand the alternative charms of the eastern bloc, writes Patrick Blum

FOREIGN investment in Portugal is booming, and, despite fears that investments which would have come to Portugal may be diverted to eastern Europe, the Portuguese authorities believe their country is well placed to face the challenge.

All the same, government departments and business organisations are keeping a close watch on developments in eastern Europe and intensifying their promotion efforts in important markets to ensure that Portugal does not lose out. A \$10m (£5.9m) campaign aimed at the US, Japan and Spain has just been launched to promote Portugal as a stable and profitable centre for investment.

Mr Antonio Mexia, vice president of the Instituto do Comercio Externo de Portugal (Icep), the foreign investment promotion agency, says some of the fears about a switch of investments from southern to eastern Europe are exaggerated. "There will be competition [from eastern Europe] in the short term, but I don't

think it will be a major problem because their economies are very distorted. They don't have organised market economies, and it will take them a long time to restructure," he says. These distortions will limit eastern Europe's capacity to attract and absorb a high level of western investment.

That view appears to be shared by some foreign investors. In September, Mr Alain Mine, vice president of Cerus, the De Benedetti group's Paris-based holding company, predicted that the centre of gravity was shifting away from north-western Europe to the south. "In 15 years the motor of Europe will be in the south," he said.

That view still holds, says Ms Valerie Bernis, spokeswoman for the group. "Developments in Eastern Europe do not affect our fundamental strategy and there have been no transfers of activity, though some of the [group] companies may be interested. But at the moment, it is very difficult to do anything there," she says. Eastern Europe's economic, legal and

PORTUGAL'S 330 air traffic controllers plan to take the Government to the international courts over an order preventing them from striking, their union said yesterday, writes Patrick Blum in Lisbon. The union had planned to start a five-day strike over pay which would have paralysed non-essential flights from midnight on Tuesday, but called it off after the Government banned the action and forced the controllers to work or face the sack. The legality of the Government's action is being challenged by the union in Portugal's labour courts; similar moves are planned in international courts. The Government's move "undermines the workers' right to strike," the union said.

social structures need to be considerably modernised.

The Government's strategy to promote Portugal outside the EC as a "gateway to Europe" is likely to help maintain foreign investment. Until the mid-1980s, Portugal did not consider foreign investment a priority, but there has been a radical turn-around. "We used to wait for investors to knock at our door, now we are knocking at their door," Mr Mexia says.

New rules and incentives were established to encourage investment with the objective of bringing new industries and technologies as well as creat-

ing jobs. Icep was given the task of negotiating investments to cut bureaucratic delays. "In the past, a foreign investor had to call at 20 different doors, now we deal with and solve all the problems here," Mr Mexia says.

Faced with increasingly tough competition from Europe and newly industrialised countries in Asia, the Portuguese authorities came to two important conclusions. First, that Portugal could not rely solely on its comparative low costs advantages. Wages - still among the lowest in Europe - and other costs have been rising and will continue to rise as

Portugal becomes more integrated within the European Community. Portugal had to offer competitive incentives as well as publicise the country's economic and political stability, and high productivity potential, he says.

Second, that there should be more effort to attract non-EC investment, thereby reducing Portugal's reliance on the richer northern European countries which still account for most foreign investment.

The strategy appears to be paying off. Last year, direct foreign investments more than doubled to reach a record £360m (£1.4bn). The two largest single investments came from the US, with Ford and General Motors deciding to set up new plants near Lisbon.

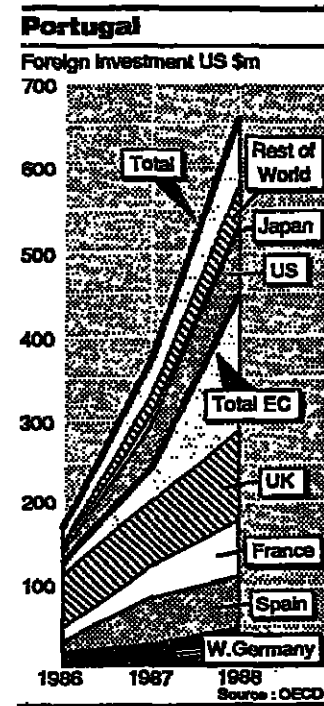
Ford moved first, announcing in July an investment of £22.3m for a plant in Setúbal to produce car audio equipment - the group's first audio components plant in Europe. The plant is scheduled to reach full production in 1992, producing premium quality radios, compact disk players and other

high technology audio components. GM followed, announcing plans to set up a £50m automotive electronics plant, also in Setúbal, to manufacture electronic ignition systems, mostly for export.

Other big investments included two joint ventures: Continental of West Germany, the world's fourth largest tyre group, has set up a joint venture with Mabor, Portugal's leading tyre manufacturer, with a projected investment of DM230m (£22m) over the next four years; the Valmet Corporation of Finland is setting up a plant to manufacture tractors and tractor parts with IPE, a Portuguese state-owned holding company, with an investment of £24.2m.

Large investments are also expected in the automotive and electronics sectors as well as in the pulp and paper industry, with discussions already under way with US, Japanese, Korean and European groups.

Among them, Daihatsu is considering a possible investment of about £150m in a plant to manufacture jeeps and



commercial vehicles. Mr Mexia says foreign investment will again rise substantially this year, demonstrating Portugal's growing attraction as an investment centre especially for companies wishing to sell in Europe.

Commission wheels out some heavy guns in war against dirty money

By Lucy Kellaway in Brussels

"WE SHOULD deny any benefit to those who live by trade in drugs, terrorism and organised crime," states words from Sir Leon Brittan yesterday in explaining why the European Commission has taken up its heaviest arms in the fight against dirty money.

It may be hard to disagree with the Commission's sentiment. But his announcement that the Commission is to put forward a directive that will force member states to make processing of all sorts of dirty money illegal is more controversial.

Some states argue that there are already enough international bodies involved. The United Nations Vienna Convention of 1988 seeks to outlaw the laundering of drug money and has been signed (although not yet ratified) by all EC countries. A task force set up by the Group of Seven industrial nations last summer is preparing its own recommendations, a process in which the Commission and several EC countries have been involved.

Others question whether the Commission is acting within its competence. As a general

rule, Brussels has no power to interfere in criminal laws. However, in this case it is invoking the Single Market Act. If money-laundering constitutes a barrier to the free movement of capital across the EC, it is within the Commission's powers to remove it.

Given the urgency of the problem, not to mention its high political profile, member states may feel reluctant to block the directive, however strong their procedural objections. Nobody knows exactly how much money-laundering goes on, but everyone knows it

is big. The G-7 task force is working on estimates of around \$80bn a year for the US and Europe. Other estimates have put the figure higher still.

The Commission argues that its action complements other international efforts. Its plans are to be much broader than existing work; they will cover dirty money from all sources - blackmail, terrorism, arms dealing, rather than just drugs. They will also cover not just banks, but institutions as much on the fringe as casinos, and bureaux de change, both of which are popular routes into

the system for suspect money. Commission officials admit that casting the net too wide may cause severe enforcement problems, and so are intending to leave considerable leeway in the interpretation of the law and exactly whom it will cover.

The proposals also go beyond the Vienna convention by laying down the broad principles to be followed in tracing suspects. Brussels has shunned the rigid system that exists in the US, under which every cash deal above \$10,000 is painstakingly examined, and has opted for a system in

which banks must report any suspicious transaction. The Commission ideas are modelled on the UK system. They would oblige banks and other financial institutions to find out who was behind each transaction, "taking reasonable measures in cases of doubt," Sir Leon said. Financial institutions would not be allowed to enter into any questionable transaction, and all suspicious facts would have to be reported.

This would involve changes to the laws of some states. At present only the UK, France and Luxembourg have specific laws against money laundering, but these refer either entirely, or principally, to drugs. Other member states are either in the middle of introducing such laws (Belgium and West Germany), or (Italy and the Netherlands) have general provisions covering the proceeds of crime. It is far from clear whether any of the methods developed will succeed: against the billions of dollars laundered, the few millions in suspicious transactions reported to the authorities are pretty small.

Italy and Belgium face action over unit trusts

David Buchan in Strasbourg

BRUSSELS has started legal action against Belgium and Italy for failing to implement EC legislation on unit trusts that came into effect last October. Sir Leon Brittan, the financial services commissioner, announced yesterday.

The so-called Uctis directive allows a mutual fund based in just one EC state to sell its shares in the other 11.

Sir Leon also announced a Commission recommendation for guidelines to prevent bank customers being unknowingly overcharged for cross-border money transfers. He warned that the Commission was also looking to see whether bank customers were being overcharged for cheque clearing.

The Canary Islands are to change their tax system to pave the way for full integration into the EC, the local government said yesterday, Reuters reports.

The Canary Islands, a province of Spain off the north-west coast of Africa, opted out of the customs union, common farm policy and tax system of the EC when Spain joined in 1986 in order to protect the booming tourist industry. But Spanish authorities have

now reached an initial agreement with the Canary government to bring its tax system into line with EC norms, a government spokesman said. Thousands of British, West German and Scandinavian holiday makers have flocked to the islands, attracted partly by their duty-free status.

But tourism has slumped over the past year, and the Canary parliament sought full EC incorporation in December, although with concessions to reflect high transport costs to the islands.

Under the accord, the seven islands which include Tenerife, Lanzarote and Gran Canaria, will in future levy a unified indirect tax in place of a series of local taxes.

The modifications, negotiated by senior economy ministry official Jose Borrell during a visit this week, transfer authority for tax regulation to Madrid. Officials said the new tax was intended to conform with EC norms on value added tax. A final version of the tax accord is expected to go to the Spanish parliament in April and be submitted to Brussels for EC approval before taking effect next January.

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OVERSEAS NEWS

ANC 'unlikely to place faith in nationalisation'

By Kenneth Gooding, Mining Correspondent

THERE was little chance that an ANC-dominated South African Government would carry out a wholesale nationalisation programme, suggested Mr Gavin Kelly, chairman of the Anglo American Corporation of South Africa, yesterday.

He said that his contacts since 1985 with ANC leaders and those of the South West African People's Organisation (SWAPO) in Namibia had convinced him that "their position is that they will do better by private enterprise rather than by putting everything in a state pot."

Exiles under pressure to react to de Klerk moves

By Mike Hall in Lusaka

TOP policy-makers of the African National Congress met behind closed doors in Lusaka yesterday as pressure mounted for a firm united response to President F.W. de Klerk's reforms and his decision to release Mr Nelson Mandela, the ANC leader.

Discussions among the 35-strong national executive committee of the ANC are expected to last several days. The meeting in the Zambian capital is the first since Mr de Klerk lifted the ban on the organisation in South Africa two weeks ago.

Western diplomats say it is possible that the committee will come up with little more than a reiteration of the conditions for negotiation: troops out of the townships, the lifting of the state of emergency and release of all political prisoners.

It is also possible, diplomats say, that the executive will postpone big decisions until they have been joined by Mr Mandela who has said he

as beer and insurance. But the core of its business comes from gold mines which the ANC has said it would nationalise.

Mr Kelly pointed out that South Africa was not a rich country but in terms of GNP per capita was just behind Poland, Lebanon and Brazil and just ahead of Costa Rica and Malaysia. Removal of trade sanctions would not transform South Africa into a Japanese-style economy.

He insisted that a Whitehall-style democratic government, which "would take all" the constitution, would not work for South Africa because it would lead to a one-party state. And one-party states were "economically incompetent."

He said Mrs Thatcher's attitude towards the changes in South Africa was being misinterpreted. It was not that she wanted the removal of sanctions but she realised, rightly, that whatever you think of the South African government, it has the authority to create change and must be supported and motivated to create change. Mrs Thatcher wants to move that change along.

Democracy squeezed out in Basic Law debate

Peking outplays Britain over franchise for Hong Kong's legislative council. John Elliott reports

SHOULD there be 18 directly-elected seats, or 20, 22 or 24? Should they be introduced in 1991, 1995 or 1999? Should there be a two-tier voting system?

Students in Hong Kong are staging sit-ins over the issues and are threatening to boycott classes. Sir Alan Donald, Britain's Ambassador in Peking, has been locked for about a month in daily negotiations with China's Foreign Ministry and yesterday it emerged that agreement has been reached. Just 18 seats in 1991 and 20 in 1995.

The focus of all this attention is the Basic Law which will form Hong Kong's mini-constitution after the British colony returns to Chinese sovereignty in 1997. This week, the Peking-dominated drafting committee of the law is meeting for its final plenary session in the Chinese capital before the law is promulgated next month by the National People's Congress.

Coming in the wake of the Soviet Union's dramatic political changes, it might be assumed that the act has been to provide Hong Kong with rapid democratic initiatives as the colony approaches the end of 150 years of benevolent but undemocratic British rule with no universal franchise.

That would be wrong. China has resolutely turned its back on the UK's UK-encouraged process of resistance change both for the

HONG KONG: PROPOSALS FOR DIRECTLY ELECTED REPRESENTATIVES*				
ELECTION DATE	1991	1995-7	1999	2003
BASIC LAW DRAFT Feb '89		27%	38%	50%
"PEKING" MODEL Jan '90 (60 seats)	30%	30%	40%	50%
SINO-BRITISH PLAN Feb 1990 (60 seats)	33%	33%	40%	50%
LOSINGISTS' PROPOSAL				
COUNCIL MEMBERS' CONSENSUS	33%	50%	66%	100%
UK FOREIGN AFFAIRS CITEE & HK LIBERAL LOBBY	50%	100%	100%	100%
BUSINESS GROUP CONSENSUS	30%	40%	60%	?

*Figures are percentages of the Legislative seats which would be elected by universal franchise. The remainder of the seats are for various forms of indirect or electoral college, plus appointed members and elected members.

mainland and for Hong Kong, which it now regards as a centre of potentially-dangerous political dissent.

Accordingly, it has used a mixture of skilful, diplomatic ploys and threats to out-manoeuvre British negotiators and to wear down the groundswell of support for universal franchise which built up in Hong Kong during last June's Tiananmen Square student movement.

As a result, calls for full democracy have been replaced by arid debates about whether there should be 18 or 20 directly-elected seats in a 60-seat legislature in 1991 or in 1995, plus a possibly restrictive two-tier voting system. There is not even any guarantee that full universal franchise will ever be considered in the future - a recently-introduced restriction which has been scarcely noticed let alone debated.

China has also used Hong Kong's UK-encouraged process of resistance change both for the

issue to eclipse other subjects which could prove to be far more important after 1997 and which Hong Kong had wanted to be improved following publication of the law's second draft, a year ago.

These include the independence and jurisdiction of Hong Kong laws and courts and the relationship between the legislature and the executive. Another issue is the method for choosing an all-powerful Chief Executive who will replace the present British Governor: an electoral college will be used for at least the first two terms which means that Peking can virtually hand-pick him.

British officials, however, say they have little chance of improving such points because the law as it now stands is in line with 1984 Sino-British Joint Declaration on the 1997 hand-over which lays down that Hong Kong should have a high degree of autonomy for the next 50 years.

The UK has for decades done virtually nothing to develop direct elections, responding in part to the lethargy of the Hong Kong people and in part to China's aversion to political development. The present legislative council consists of government appointees and people indirectly elected by occupational groups.

In 1988, it was decided that limited reforms should start next year when 10 people (18 per cent) out of 58 would be directly elected. In the wake of last June's events in China, Hong Kong campaigners called for 50 per cent (30 seats) next year and full universal franchise in 1995, which would continue into Chinese rule in 1997.

More moderate voices on the existing executive and legislative councils plumped for 33 per cent (20 seats) next year, 50 per cent in 1995 and 100 per cent in 2003. A business-based lobby group struck a more generally popular note, which was

broadly taken up by the British Government, for 30 per cent (18 seats) in 1991, 40 per cent in 1995 and 60 per cent in 1999.

All these proposals from 1985 onwards have been rejected by Peking, partly because it is not prepared to countenance anything that is a reaction to last June's events and partly because it fears that direct elections are more likely to bring liberal - or subversive - in its book - to power.

Even before last June, Peking's aim was to limit the number of directly-elected people until 2007-13 so that it could, if it wished, then curtail subsequent moves towards universal franchise. A year ago, the draft law proposed gradual progress to 50 per cent by 2003, when a curtailed referendum would decide on whether to go to 100 per cent. That was said to be too restrictive by even some senior Peking officials and was expected to be improved, possibly to even 100 per cent in 2007 or 2011.

Hong Kong's massive pre-democracy demonstrations last June changed Peking's mood and halted the potential improvement. The referendum idea was ditched but was replaced with new wording which removed a specific reference to "all members" being "selected by general election" (ie full universal franchise). Now it only vaguely refers to possible future changes in the formation of the legislature. A

controversial two-tier voting structure which is expected to be reduced this week as a Peking concession was also introduced.

China's only real concession in Sir Alan's negotiations has been to agree to move up from 18 to 20 seats for 1995, which will continue in 1997. This leaves headroom for the UK to have 18 seats next year, which is the minimum needed to avoid a big row in Hong Kong. That is a far cry from the 50 per cent (30 seats) in 1995 called for by existing council members.

China's leadership has dealt its cards cleverly and has played on Britain's fear that confidence in Hong Kong would be reduced by political uncertainty and by sniping from Peking in the next few years if no agreement was reached. That fear has even made the UK abandon a fall-back option of refusing to take a decision on 1995 till later in the hope that more moderate Peking leadership would emerge in the meantime.

In the end, China has conceded nothing that will affect the balance of power after 1997. Britain, on the other hand, has ensured that, unless there is a big change in China's leadership before 1997, it will leave no significant democratic traditions behind in its last important colony.

China worries about unrest among its ethnic minorities

CHINA'S minister in charge of the country's 99m minority people has expressed alarm over recent ethnic unrest across the border in the Soviet Union and the collapse of communism in Eastern Europe, Reuters writes from Peking.

Stability and unity among China's own ethnic groups had been affected by these recent developments, Ismail Amat, the Minorities Minister, was quoted as saying by the official China Daily yesterday.

The minister warned a national conference on minorities on Tuesday

that "separatists and forces hostile to the Communist Party have been abroad" were damaging China's stability.

"They always stir up turmoil and conduct separatist activities under ethnic or religious disguise," he said in a tough speech apparently heralding a clampdown on China's minorities, who for centuries have staged rebellions against the Han Chinese majority.

An official said large numbers of extra troops had been sent to Tibet's regional capital of Lhasa to back up

units enforcing martial law which was declared in the city last March after fierce anti-Chinese demonstrations and rioting.

Troops have also been dispatched in recent months to remote areas of Sichuan Province where there are rumblings of unrest among Tibetans living there.

Diplomats and academics said Peking also alarmed by a resurgence of Islam among minorities in the northwest frontier region of Xinjiang - just across the border from Soviet Tadzhikistan where unrest forced

officials to declare a state of emergency on Monday.

Four times the size of France, Xinjiang has a population of some 15m people, of whom about half are Islamic. Only about 30,000 are Tadzhiks.

Last May thousands of Moslems took to the streets in Xinjiang's capital Urumqi and in Qinghai's Xining to protest against a Chinese book they said insulted their religion.

"The policy towards the minorities now is 'relax to the outside, tighten

within,'" the official source said.

The new policy meant tighter control over religion, stepped up family planning restrictions on travel and more political education. Economic reforms would continue however.

Although they make up only about 8 per cent of China's 1.1bn people, the ethnic groups cover almost two-thirds of the country's territory, mainly sensitive border areas such as Tibet, Xinjiang and Inner Mongolia.

LDP fails to assuage women's ire

By Ian Rodger in Tokyo

UNTIL last summer, women did not count for much in the male dominated world of Japanese politics.

But the introduction of a 3 per cent consumption tax in April and the sight of politicians mired in bribery and sexual scandals were enough to bring angry women out of their traditional subordinate and obedient roles.

The so-called "Madonna" phenomenon was widely cited as one of the main causes of the surprise defeat of the ruling Liberal Democratic Party (LDP) in last July's elections to the upper house of the Diet (parliament).

So far, in the current general election campaign, the word Madonna has not been heard much, but there are many indications that Japanese women have not gone back quietly to making tea and arranging flowers.

For one thing, there are 66 women candidates running for election on Sunday, the most in 40 years. For another, opinion polls show not as many women as men have forgiven the LDP for its transgressions last year.

According to one poll of 10,000 voters, while 47.5 per cent of men claimed to support the LDP, only 38.2 per cent of women did. The women's sup-

port level had dropped by more than 9 per cent since last year.

"Women still have very strong feelings, they will be willing to have an impact," Ms Takako Doi, chairwoman of the Japan Socialist Party (JSP), said at a press conference on Tuesday.

"The effect will be as big as it was in the upper house election last year, and much larger than it was in the previous general election," she predicted.

However, that does not necessarily mean a big boost for the JSP vote. Anger among women with the LDP has been tempered by disappointment that the JSP has been unable to emerge as a credible alternative government.

"What we have now is a dominant LDP and opposition parties that can do nothing but say No to the LDP's policies," Mrs Miyoko Iizaki, organiser of a Tokyo women's study group on political issues, said.

Also, the image of the JSP as a party that supports women has been tarnished by its inability to overcome the resistance of many of its male incumbents to having new women candidates in their constituencies.

Under Japan's multi-seat constituency system, a candidate representing a minority



Tohichi Kaifu, the Prime Minister, completes an absentee ballot paper in Tokyo yesterday. Election day duties will prevent him from voting on Sunday in his home district near Nagoya

party, such as the JSP, tends to resist facing competition from another candidate of the same party for fear it will split the party's vote and both will lose.

UK halves subscription to world telecom union

By Hugo Dixon

BRITAIN has cut in half its subscription to the International Telecommunication Union, the world's oldest inter-governmental organisation in protest at the way debates were held at the union's plenipotentiary meeting last year.

The ITU, founded in 1867 to help co-ordinate telegraph traffic, became a special agency of the United Nations in 1947. Britain's move has some similarities with its decision to pull out of the UN Economic and Social Council at the end of 1985 because it was dissatisfied at the way Unesco was being run.

The recent decision may fuel fears that the UK is isolating itself from the rest of the world community by taking a hard line in international bodies.

Britain notified the ITU at the end of last year that it proposed to cut its subscription from 30 units - equivalent to about \$2m a year - to 15 units.

Before this action, the UK was the joint largest contributor to the ITU budget along with the US, Japan, West Germany, France and the Soviet Union. Even after the move Britain will probably be

among the top ten contributors out of the ITU's total membership of 168.

The UK's main complaint is that the ITU secretariat and sub-committee chairmen took a partisan line in debates at last year's plenipotentiary meeting.

As a result the UK feels its views were not properly taken into account. The UK was also pledged to be voted off the ITU's administrative council the union's 40-member ruling body which a group of developing countries which disagreed with the UK's free market approach to telecommunications chose to vote for Greece instead.

The UK has made clear to the ITU that it still intends to be involved in the union's day to day work. However, it believes it was important to send a signal that it was unhappy with the way the ITU was conducting its debates.

The ITU's main work consists in setting technical standards which would allow telecommunications networks around the world to connect, in agreeing on how the radio spectrum should be used, and in making recommendations on the tariffs that should be charged for international phone calls.

Najibullah waxes while 'ragtag' resistance wanes

Christina Lamb on why the communist regime in Kabul has not followed the fashion of collapsing

IF ANYONE, from the US State Department to the Kremlin, had been asked a year ago to bet which communist government was most likely to fall, the President Najibullah in Kabul would have been at the top of every list.

But while communist bastions across eastern Europe fall like dominoes, in Afghanistan, one of the world's poorest countries, communism last year began to acquire legitimacy both at home and abroad, almost entirely because of the blindness of US foreign policy.

It is exactly a year since the Soviet commander-in-chief crossed the Oxus, completing the withdrawal of Soviet troops from Afghanistan and proving President Mikhail Gorbachev's commitment to a lessening of Moscow's role.

American jubilation was complete. The wild men of the mountains whom the US had supported for the last eight of the nine years of Soviet occupation had humiliated the world's largest army.

Things have changed a bit since then. The mujahideen who were supposed to be the good guys are now more often depicted as ragtag terrorists or narrow-minded fundamental-

ists. Their leaders rarely speak to each other and are on their fifth and most elaborate attempt to form a government.

Western journalists trying to report the war have been sent death threats by extremists among the mujahideen whose campaign of assassinations of intellectuals and rivals has deterred aid agencies from sending workers.

Western embassies which fell over each other to leave Kabul before the expected resistance invasion are considering returning.

Guerrilla commanders have taken in large numbers to the only psychiatrist's couch in Peshawar, unable to comprehend their failure to defeat the Afghan army. The answer it seems is that the mujahideen did not win against the Soviets - they just did not lose.

Today the odds are on them to win. The mujahideen in themselves have not changed - they are still the best equipped, worst organised guerrillas in the world, liable to oversleep and miss battles or kill each other because they do not know where forward lines are.

Their record is hardly glorious. In 10 years they have won control of only five small provincial capitals out of 31 and have never managed to capture

Moscow presents plan to end civil war

MR Eduard Shevardnadze, the Soviet Foreign Minister yesterday proposed the demilitarisation of Afghanistan and a four-power peace conference in a plan for ending the Afghan civil war, Reuters reports from Moscow.

The 10-point plan appeared in an article signed by Mr Shevardnadze in the government newspaper Izvestia, marking the first anniversary tomorrow of the withdrawal of Soviet forces from Afghanistan.

He proposed a halt to all arms supplies to Afghanistan

and a ceasefire between the Soviet-backed Kabul Government and the US-backed mujahideen rebels, followed by the removal of all arms stocks from the country. This would be a prelude to the demilitarisation of Afghanistan.

Mr Shevardnadze also proposed a conference on Afghanistan between the Soviet Union, US, Pakistan and Iran. It would be attended by Afghan government and opposition figures and the UN Secretary-General or his representatives.

Pakistan and Iran host some 5m Afghan refugees. Washington and Moscow are guarantors of the April 1986 Geneva agreement that ended Soviet involvement in Afghanistan.

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ish is trying to distance himself from the earlier war years when the regime carried out ruthless executions, he was head of the secret police during that time.

The lack of US and Pakistan policy in effect has done the mujahideen a disservice. Had there been negotiations last year, Moscow would have dropped Mr Najibullah and settled for elections, the return of the king or a part-communist share in government.

In Moscow last week Mr James Baker, the US Secretary of State, indicated that the US would no longer insist on the removal of Mr Najibullah as a precondition to talks.

The US still believes Moscow will drop Mr Najibullah because of the cost of maintaining him, estimated at \$1bn a year, and is desperately trying to rid the resistance government of the fundamentalists whom in the past they supported so strongly.

But it is hard to see why President Najibullah should agree to negotiate, while the recent unrest in the Soviet Muslim republics bordering Afghanistan makes it more important for Moscow to have a sympathetic and certainly non-fundamentalist government in Kabul.

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CHASE

THE INTERNATIONAL DRUGS TRADE

American leaders join forces to crack drug menace

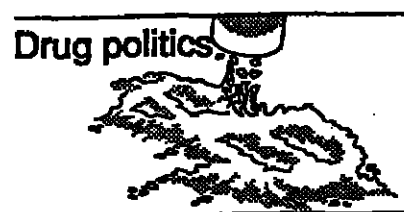
By Robert Graham

FIVE HOURS is a short time to agree on new measures to combat the international drug trade. Yet this is all the time US President George Bush and Presidents Virgilio Barco of Colombia, Jaime Paz Zamora of Bolivia and Alan García of Peru are scheduled to have for their drug summit in Cartagena today.

It is hard not to see this as a purely symbolic meeting between the Andean producers of coca leaf cocaine and the main consumers of the drug. Nevertheless the historic encounter establishes for the first time the principle of co-responsibility for the drug problem.

In the past both sides have argued from opposing corners. Washington has acted on the basis that cocaine consumption was primarily a production problem, while the producers have always believed that illicit production of cocaine was largely a response to demand.

The summit is narrowly focussed, excluding regional producers of marijuana (Jamaica and Mexico) and important producers of opium and heroin (Guatemala and Mexico). It also includes marginal cocaine manufacturers like Brazil, Ecuador and Paraguay, as well as all the transit countries along the clandestine drug



Drug politics

routes into the US. The meeting is going ahead in spite of a strong groundswell of disquiet over the US invasion of Panama last December. President García only recently withdrew his threat of a boycott. His behaviour underlines the differing motives the two sides have for getting together.

President Bush is principally concerned to assuage his domestic audience, demanding measures to combat the rising tide of crime linked to cocaine and its derivative, crack. The summit was proposed last September as part of his much publicised Drug Control Programme.

Apart from being seen to take the fight into enemy territory, the drug barons' home ground, Mr Bush wants the Andean leaders to give the US greater flexibility of action. In practice, this means permitting the US more freedom to operate inside the

producer countries with personnel and sophisticated equipment. At present such activities are closely controlled and subject to extreme local political sensitivity. As a counterpoint, the US is willing to provide more resources to help in crop substitution and general economic support.

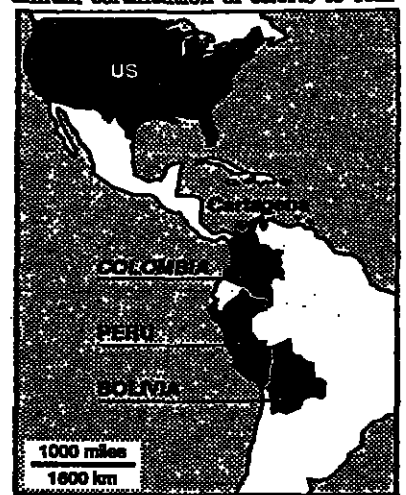
The Andean leaders would prefer a multilateral approach to the whole problem via the US, but they recognise that it must go along with the Bush initiative. Nevertheless their priorities are different.

They believe the drug problem must be tackled in the context of under-development and unfair terms of trade. Thus almost as a pre-condition they want better access for their products in US markets. Lost foreign exchange earnings from the US instigated collapse of the international coffee agreement last August has so far not been offset by the increased aid promised by Mr Bush to fight drugs.

A second prerequisite is that the US must provide a quantum leap in its economic assistance. The sums so far talked about for crop eradication programmes and fighting poverty are considered grossly inadequate. The figure of \$2bn a year for the foreseeable future has been mentioned as a maximum target by some Andean

countries' officials. The Andean leaders deny they are using the drug issue to extract more aid to help their economies crippled by debt and the additional problems of internal subversion. Nevertheless the issues are closely interlinked.

Another demand is that Washington ends its punitive approach to aid whereby assistance is conditioned by annual certification of efforts to combat



the drug trade. In the past this has led to frequent friction. This demand for greater comprehension also includes the hope that the US will act with greater delicacy towards producer countries' domestic political problems.

There is great sensitivity to the apparent militarisation of the US fight against drugs. This is especially so in the wake of the Panama invasion. Sensitivities were underlined by the furor over US plans in the wake of Panama to send a large carrier fleet to the Caribbean waters of Colombia.

Finally, both sides still regard the problem of drugs in different time scales and sociological contexts. President Bush has gone for a punitive approach without major reforms to deal with the problems of the inner cities, where drug abuse is worst. The Latin American countries are facing up to the menace of drugs against a far more complex social background in which drug use and contraband has long existed beside weak central authority.

Thus for all the goodwill likely to be generated in Cartagena, close co-operation promises to be a long haul amid the minefields of mutual mis-

US optimism is guarded prior to Cartagena talks

By Lionel Barber in Washington

PRESIDENT George Bush flies to the resort city of Cartagena today to cement a regional alliance with Bolivia, Colombia and Peru to wage common war on drugs.

Mr Bush's visit is, above all, a show of support for President Virgilio Barco of Colombia, the summit host. It was his crack-down against the Medellín cocaine cartel six months ago which showed that a Latin American country had the political will to take on the narcotics traffickers, thus opening the way to greater regional co-operation.

The Barco crackdown coincided, too, with the emergence of drugs as the political issue which most preoccupied the American public; more so than the budget deficit, the Soviet threat and Japanese competition.

As a result, the Bush Administration accelerated efforts to persuade the Latin American cocaine-producing countries to support its own comprehensive drug strategy.

The endorsement came in the form of a \$2.5bn five-year programme of economic, military, law enforcement and intelligence aid to the three Andean countries.

This assistance will range from strike helicopters for Colombia to economic aid for attracting peasants away from coca-producing areas to new economic development zones.

A senior US official stressed this week that US armed forces will not operate on Colombian, Bolivian or Peruvian soil, but will instead let the indigenous police and armed forces attempt "permanent disruption" of the supply chain. "We have listened - very carefully - and we agree. There's no plan to even suggest such a possibility," said the official.

The Bush Administration has only recently extricated itself from a substantial diplomatic hole it dug for itself in December, when it announced the Panama invasion and a subsequent ill-judged leak about a possible naval blockade of Colombia. The two events created a furor when they ignited Latin American fears of a resurgence in US imperialism.

The naval blockade was more imagined than real. A Pentagon official used some loose language about a plan to send an aircraft carrier battle group to track narcotics traffickers flying out of Colombia.

In the US, the question remains whether the administration can tackle the pressing problem of domestic consumption. There are grounds for cautious optimism. This week, Dr Louis Sullivan, the Health Secretary, reported that annual use of illicit drugs by high-school seniors declined from 35.5 per cent of the total to 35.4 per cent in 1988. Use in the 30 days preceding the survey declined from 21.3 per cent in 1988 to 19.7 per cent in 1989.

The percentage of school-children who have used cocaine once in their lifetime declined from 12.1 per cent to 10.3 per cent over the same period and the percentage in the last five years has fallen from 17.3 per cent to 10.3 per cent.

The trend looks promising, but it still does not address those segments of the population, notably blacks, who will continue to abuse drugs as upper-income earners turn to other sources of pleasure. Nor does it tackle the problem of a lack of reliable information on the numbers of addicts, the amount of drugs consumed, even the amount of seizures.

This lack of data may explain why Mr Bush intends to revive the idea of US ships being used to provide an offshore "radar net" to help catch illicit drug traffickers. It also accounts for the increased funds for intelligence-gathering in the US - an important part of this year's \$10bn spending programme.

As Mr David Waddington, the British Home Secretary, discovered this week, the administration seems to be in a mood of guarded optimism. But one cloud on the horizon is heroin, from Burma, Laos and Afghanistan which sells at extremely low wholesale prices. As one narcotics official noted, it would be ironic if, at the time cocaine consumption may be peaking, heroin is about to make a comeback.

Medellin barons offer a way out

Attacks by the authorities may be paying off, writes Sarita Kendall

THE Cartagena summit is a sign that producing and consuming countries are taking the cocaine problem seriously. If governments could sustain the war for five or even 10 years, say the experts, they might stop cocaine trafficking altogether.

But such stamina seems unlikely after a few months on the front line, more Colombians see dialogue with the Medellín cartel as an acceptable solution, and violence, rather than trafficking itself, as the main issue.

The power and flexibility of the gangs is so great that even huge captures of cocaine and constant raiding have apparently had little effect on supply or price in the US. Curiously, prices have even fallen in many parts of the Andes. This is probably because previous estimates of cocaine production were far too low, and the traffickers have been maintaining stockpiles to tide them through periods when shipping is especially risky.

Peru is the biggest producer of coca leaves and cocaine

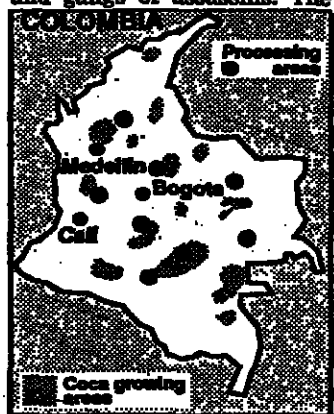
paste, followed by Bolivia. Most of the paste is exported to Colombia for processing into cocaine hydrochloride, the refined white powder. Although official US figures put cocaine production at about 400 tonnes a year, unofficial sources now say that the real volume may be somewhere between 600 and 800 tonnes.

Early in 1989 the Colombian authorities attacked laboratories, chemicals and operations centres. When Luis Carlos Galán, a presidential candidate, was killed last August the government re-established extradition and the drug barons themselves became the target. More than 1,500 properties were seized including many traffickers' strongholds, and over a dozen middle-ranking traffickers were arrested.

This tactic, combined with persistent intelligence work, led special police units to Gonzalo Rodríguez, considered the most violent of the Medellín group. Some say he was betrayed by the rival Cali car-

tel, which abhorred his brutal methods.

As well as breaking parts of the traffickers' infrastructure and keeping them on the run, the authorities have also broken up dozens of armed groups and gangs of assassins. The



police offensive against the traffickers' production centres continues, sometimes with spectacular results. But Colombians are already hoping that the war would end. The Medellín cartel, led by Pablo Escobar

and Jorge Ochoa, has bombarded the public with communiqués offering surrender and promising to dismantle the cocaine business in exchange for special treatment. This would mean, at the very least, the end of extradition.

To continue the war and reach deeper into trafficking structures, the Andean governments will need greater public support. Helicopters, police training courses and drug education are necessary, but hundreds of thousands of South Americans depend on coca and cocaine for a living. About \$3bn a year seeps back into the regional economy.

The real challenge is to replace the illegal income and its erosive effects on vulnerable democracies. Crop substitution programmes are notoriously slow and one suggestion is that cocaine-consuming countries should not only buy the produce of small agricultural ventures. Debt relief would be another way of rewarding anti-drug commitment.

Saturated market may force the producers to move on

By Andy Marshall

THE COCAINE industry differs from most third world agro-processing sectors in two crucial ways: it is illegal, and it is very successful.

The production, export and sale of cocaine is one of the world's largest industries. There are an estimated 5m to 10m US consumers of cocaine or crack, spending between \$20bn to \$25bn annually, the Panos Institute, an independent think-tank based in the US, estimates.

Were it not for the drug's effect on the consumer, coca would be lauded as the ideal export crop and cocaine production as the perfect agro-processing industry.

Coca can be harvested three to five times a year, from a year after planting. It is highly labour-intensive, it survives for 15 to 20 years, maintaining good production levels on poor

quality land. The effect of the drug's illegality, and of repeated efforts to interdict supply and destroy production, is to act as a price support mechanism, which reduces oversupply. This has been at the root of calls for legalisation and decriminalisation of the trade.

Aside from its importance as a political, legal or social issue in producer, transit and consumer countries, cocaine production and processing is central to the economies of Colombia, Peru and Bolivia. Total US expenditure on the drug is equivalent to the combined GNP of the three countries.

But as with many agro-processing industries, the profits are made elsewhere. The bias of the industry, as with so many third world commodity-based sectors, is towards a con-

centration of value added in the retail and intermediary stages.

The Panos Institute says that at the beginning of the chain, a coca trader in Bolivia's Chapare may get \$1.30 to \$2.30 for a kilo of leaves. In Bogotá, the price of a kilo of processed cocaine is \$2,000; in Miami, it rises to about \$10,000; in London, for the street user, it is from £50-£80 a gram.

Prices have fallen rapidly for the last five years as supply has increased and this has been one factor behind the cartels' creation of a new market for crack, a cocaine derivative.

The tightening of the net on cocaine intermediaries in Mexico, the Caribbean and the US, and the problems of the Medellín cartel in Colombia, might have been expected to produce a rise in prices, but in fact, the existence of a substan-

tial market overhang - a large stock of processed and unprocessed cocaine in producer, consumer and transit countries - has led to a fall in wholesale prices. The cocaine cartels have been under siege, at home and abroad, for the last year. But they will undoubtedly survive, channelling their efforts through new routes.

The looming questions for the drug barons are how far it can cope with the new legal and judicial pressures and whether the carefully created demand for crack is peaking, as statistics from the US suggest. Many of them have made a fortune in the 1980s: is it time to move on?

The development of crack boosted cocaine's status from a small-volume, high-margin product, feeding on middle-class users, to a mass-market

business with a large franchise throughout the US.

But the market in the US now seems saturated, with consumption peaking and pressures on market-entry growing as interdiction tightens. The cartels have targeted Europe and cocaine seizures rocketed last year.

The drug barons may also feel that now is the time to diversify. In Europe and the US, there has been an upsurge in the sales of manufactured drugs such as MDMA or ecstasy (a methamphetamine), lsd (a synthetic amphetamine) and others.

The Latin Americans have also increased exports of heroin and opium. It would be ironic if, by the time the US and its allies got a grip on production and sales of cocaine, it had been displaced by new synthetic wonders.

Bolivia's withdrawal pain

John Barham looks at the blessings of falling coca prices in one of the region's poorest countries

Suddenly the ground has shifted beneath Bolivia's cocaine economy. The price for coca leaves, a raw material for cocaine, has collapsed, threatening the country's recovery from hyperinflation in 1985.

Bolivian peasant farmers produce one third of the world's coca leaves. Figures from the United States Drug Enforcement Agency (DEA) show that Bolivian coca prices fell to a record low in January. Prices are now 90 per cent lower than the year earlier.

American officials are cock-a-hoop. They say sliding prices have already led to a major increase in eradication of coca bushes and their substitution by legal cash crops.

Yet despite their excitement most Americans in Bolivia admit that the dwindling coca price is due almost entirely to a massive drop in demand from Colombia cocaine cartels. A US official who requested anonymity said: "Colombia is the central question. Everything depends on Colombia."

Washington is the driving force behind Bolivia's anti-drug policies. However, there can be little doubt that if prices remain depressed, the economic impact on Bolivia will be severe.

The Chapare Valley in central Bolivia produces most of the country's coca. Some 30,000-40,000 families eke out a desperately poor existence in jungle valleys below the massive Andean foothills.

Mr Domingo Velasco and his family of four tend a three hectare coca patch. He said: "In the good years you could get \$2,500 per hectare. Now we are only getting \$10. Every thing has become expensive."

The narcotics trade provides 20-25 per cent of Bolivia's jobs. It generates about 60 per cent of export-revenues.

In 1989 it pumped about \$600m into the economy, a cash injection equivalent to 12 per cent of Gross Domestic Product.

At this week's Cartagena drug summit, the coca producing countries will press the United States to ease the pain of transition to a non-cocaine economy by providing greater financial support for alternative development.

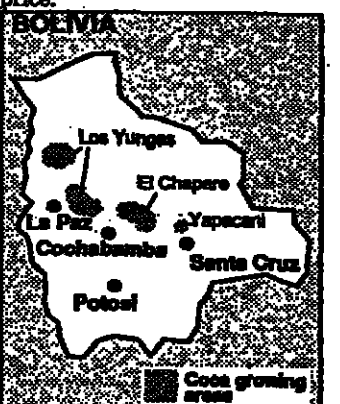
President Jaime Paz Zamora of Bolivia is to request a \$600m aid package. In 1989 the total US assistance to Bolivia was \$64m.

Most of American aid is aimed directly at reducing the narcotics industry, which Washington sees as the most serious threat to Bolivia's stability.

A senior US diplomat said: "The Bolivians say their objective is development first, but they do not realise what kind of a threat cocaine has become. We are committed to supporting democracy, supporting the economy and combating the drug trade. If one of these elements fails, so will the other two, but cocaine is the greatest threat by far."

However, Mr Herbert Mueller, a former central bank governor and now a leading economic consultant, said: "Cocaine used to provide a cushion for our economy. But the cushion is disappearing."

He pointed out that the underground cocaine-based economy absorbed the shock of drastic economic stabilisation policies in 1985, when the previous government halted inflation of 24,000 per cent a year. Mr Mueller said: "We have to substitute coca. But whatever the substitute crop is, we need the countries of the north to buy that crop at a certain price."



Disbursement of a large part of funds from the US Agency for International Development (USAID) is conditional on Bolivia meeting coca eradication targets. The nature of further assistance will be a focal issue at Cartagena.

For all the expense and effort, the effects of US policy had been disappointing.

In 1989, the coca acreage actually increased by 10 per cent. The Colombian government's war against its drug traffickers has achieved more in six months than American policies in Bolivia have in eight years.

Although the Americans are

overjoyed at the unexpectedly severe drop in coca prices, few are complacent. A La Paz official said: "Even though prices are low and people can't afford to buy meat and eggs and so forth, nobody in central Chapare is reducing output much because they expect prices to increase later." Seasonal factors tend to depress prices in the early part of the year and raise them in July and August.

US-Bolivia policy is to avoid harassing farmers in the Chapare and provide cash grants, credits and development projects to those who opt to grow "legal" crops. The joint DEA and Bolivian paramilitary forces concentrate on arresting traffickers and destroying their laboratories.

But the Bolivian bureaucracy delays payments to farmers. And the Leopards, as the Bolivian paramilitary unit is known, are widely feared and disliked.

Many of Bolivia's 30-odd gangs of traffickers have vertically integrated their operations, often with Colombian financial and technical backing. The US Embassy in La Paz has reported an increasing Colombian presence in the dense jungles of northern Bolivia.

Bolivia's comparatively primitive laboratories have more than doubled their productivity with Colombian support. Yet the US is confident that the Colombians will avoid moving all their operations out of Colombia.

Despite a rising number of arrests, a good part of Bolivia's cocaine establishment is still in place.

The popular press often report sightings of fugitive narco-plotocrats. More than a few of the conservative political elite that profited from drug trafficking under the military dictatorship of the 1970s have successfully laundered their drug fortunes.

Returning to a comparatively sluggish conventional economy will take time and money. None of the coca barons are likely to invest their cash hoards in Bolivian industry.

A number of thoughtful Bolivians fear that without generous outside help to smooth the way to a non-cocaine economy, an alliance of populist leaders and drug money will exploit the difficulties of transition, undo the country's remarkable political and economic stability,

Holding the fort against cocaine traffickers

Sally Bowen visits a US-Peruvian initiative to help in the battle against drugs

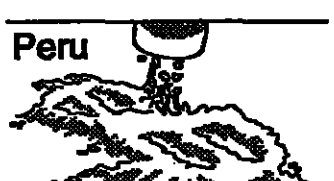
ALAN García, Peru's President, will take a tough line at today's drug summit. He has been highly critical of the US policy, contrasting the aid on offer with the huge value of the drug trade itself.

He also rejects the emphasis on military and law enforcement strategies, preferring to stress development, aid and crop-substitution programmes. Mr García almost did not attend at all; until a few weeks ago, he was still threatening to boycott it because of US actions in Panama.

Peru, as the largest exporter of cocaine, has borne the brunt of US efforts to contain the trade by military means. Last month, Mr Agustín Mantilla, Peru's interior Minister, officially inaugurated Fort Santa Lucia, base of the Peruvian anti-drug police working with training and logistical support from the US Drug Enforcement Administration (DEA) and the Narcotics Assistance Unit.

The fort, in the terrorism-ridden Upper Huallaga valley 250 miles north-east of Lima and the heart of Peru's coca-growing and trafficking area, boasts a 6,000-foot runway, eight helicopter pads, and accommodation for about 250 men. This first of four stages, is costing the US about \$3m.

The US presence at the Fort consists of a handful of NAU advisers from the State Department who are responsible for



security and co-ordination of air operations; a Snowcap team of DEA agents about 15-strong which accompanies interdiction operations and provides training and technical assistance; and up to 20 US pilots and mechanics.

In speeches to six ambassadors at the ceremony on Friday, Mr Mantilla and General Juan Zarate, the head of the Peruvian anti-drug police, emphasised the need for economic development in the zone as well as repression of the drugs trade. But "the first stage is the armed confrontation; economic, social and cultural development comes second," said Mr Mantilla. A commemorative plaque at the fort states the two countries' commitment to these goals.

US drug-related military assistance to Peru is budgeted at \$35.4m this fiscal year - up from \$2.5m in 1989 - while narcotics and law enforcement activities get a further \$26m (\$10.5m last year). Economic aid will be slower to arrive - Peru is to receive only \$3.1m up to September this year. But a substantial slice of

President George Bush's projected \$2bn over five years for the three main Andean countries should come Peru's way and economic assistance will not be linked to the achievement of specific eradication targets but rather to overall co-operation in the drugs fight, says the US embassy in Lima.

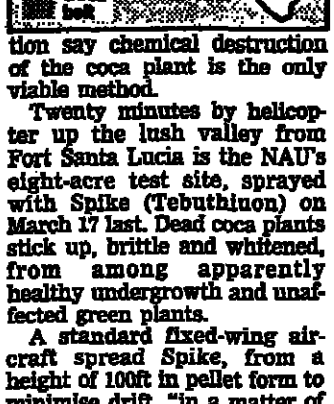
In Peru, some 200,000 hectares are under coca bushes, yielding 60 per cent of world coca leaf production, and pointing to a potential cocaine production of 870 tons annually. The Upper Huallaga valley alone accounts for 90 per cent of Peru's coca leaf, according to US officials. Although a heightened campaign last September against traffickers in Colombia depressed the Peruvian trade, drugs police said last week that more than 30 Peruvian workers, through Ecuadorian and Peruvian ports, avoiding Colombia, were already well established.

Within the Fort Santa Lucia jungle warfare training area, eradication workers and police show visitors what they call "Disney" - a mock-up of the coca process from seedbed through maceration of the leaf, refining and packing to storage. They have reconstructed a typical drug dealer's jungle house where eradication workers play the parts of traffickers, manning a short-wave radio and cooking traditional meals in the kitchen. Visitors are shown a patch of coca growing, and the difficulties

involved in uprooting bushes. Manual eradication made no significant impact against the rapid expansion of coca-growing and was suspended in February 1989, after attacks on US helicopters and the killing of more than 30 Peruvian workers. Now supporters of eradication say chemical destruction of the coca plant is the only viable method.

Twenty minutes by helicopter up the lush valley from Fort Santa Lucia is the NAU's eight-acre test site, sprayed with Spike (Tebuthion) on March 17 last. Dead coca plants stick up, brittle and whitened, from among apparently healthy undergrowth and unaffected green plants.

A standard fixed-wing aircraft spread Spike, from a height of 100ft in pellet form to minimise drift, "in a matter of



seconds", a US embassy official told ambassadors visiting the site on Friday. He estimates six aircraft could wipe out 125,000 acres of coca in six months.

Soil and water testing for residual chemicals will continue until March, but US officials are delighted with results so far. They argue that Spike is less environmentally damaging than herbicides commonly used by coca growers to avoid weeding.

But many ecologists, as well as peasant farmers in the Huallaga valley, are passionately opposed to Spike. Peruvian army and government officials fear that enforced chemical eradication would drive already disgruntled locals into the arms of the Shining Path Maoist guerrilla movement, which maintains a strong presence in the valley.

Three US Republican Congressmen present at the Fort's inauguration said their visit had helped them appreciate the complexities of the drugs battle in Peru. Mr Peter Smith, from Vermont, said "The war on drugs in the USA is a public relations war."

Here it's a real war, involving law enforcement, courage and risks. We're through the rhetorical stage. Now, frankly, we have to take action at home with mandatory prison sentences for drugs offences, the death penalty for traffickers. It will be a tough political message to sell in the USA."

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AMERICAN NEWS

Ottawa agreements show decline in Soviet power

By Peter Riddell, US Editor, in Ottawa

THE AGREEMENTS reached in Ottawa this week on the international handling of German reunification and on cuts in US and Soviet troops in Europe highlight the weakening of Moscow's position and the increasing independence of its Warsaw Pact partners.

The Soviet leadership made a number of concessions in accepting US proposals.

For instance, in agreeing to President George Bush's revised plan to limit the number of US and Soviet troops in central Europe to 195,000 each, the Soviets not only abandoned their own counter-offer of last Friday but also accepted the principle of asymmetry, dropping their previous insistence on parity in arms control. This is because the US, though not the Soviet Union, will be allowed to keep 30,000 troops elsewhere in Europe.

The sole US concession is that Washington has agreed to make the 30,000 limit legally binding, and separate from the central zone ceiling, rather than just a unilateral pledge.

Moreover, the Soviet Union has, for the first time, formally accepted German reunification without question by supporting the "two plus four" formula for talks between the two German states and the four wartime victors (the Soviet Union, the US, Britain and France) for discussing "the external aspects of the establishment of German unity."

Several major issues still have to be resolved, notably the relations between a united

Germany and Nato, the stationing of foreign troops and the siting of nuclear weapons. There are no limits on non-US (French, Canadian or British) troops in Central Europe.

But, in backing "two plus four" the Soviet Union has accepted that, with the rapid disintegration of East Germany, it cannot stand in the way of reunification and instead should attempt with the West to establish satisfactory security arrangements.

There are increasing cracks in the Warsaw Pact. Poland, Hungary and Czechoslovakia all disagree with the Soviet position that a unified Germany should be neutral rather than a Nato member.

Mr Krzysztof Skubiszewski, the Polish Foreign Minister, talked yesterday of a "quid pro quo" taking account both of US and Soviet interests whereby a united Germany could be a Nato member but there would be no movement of troops into the present East Germany where Soviet forces would remain for some time.

He said he was satisfied by recent assurances by the West German Foreign Minister (though not all West German politicians) about respecting the current Polish-German border. He would therefore want a statement by the German authorities and by the four powers about the frontier.

Pressure from Hungary and Czechoslovakia for a total withdrawal of Soviet troops, and from Poland for a substantial reduction of them, obvi-

ously encouraged Moscow to accept the US troop proposals.

While Britain and France, unlike the Democratic leadership in the US Congress, regard the new figure as a floor, no-one believes the Soviet Union will be able to maintain anything like 195,000 troops in Eastern Europe (down from 560,000 now).

Participants said the Soviet delegates looked unhappy over the concessions. There is a clear danger of triumphalism on the western side, especially following last week's Moscow talks when the Soviet Union moved towards the US position in the negotiations over reducing strategic nuclear weapons, especially over Cruise missiles.

While last week's Moscow and Ottawa talks have cleared the way for treaties this year on conventional forces in Europe, chemical weapons and strategic weapons, there are still a number of problems. In particular the two sides remain some way apart on conventional forces.

Nevertheless, despite these considerable difficulties, both the Soviet and US sides are keen to nail down earlier agreements, for varying domestic political reasons.

The ostensible reason for the Ottawa meeting of 23 Nato and Warsaw Pact foreign ministers was to discuss the Open Skies initiative for allowing mutual aerial surveillance. Everyone accepts this is a good idea in principle though there are big differences in implementation.

Brazilian import rules likely to be eased

By Ivo Dawnya in Rio de Janeiro

BRAZIL looks certain to soften its tough rules on importing car components and other high-technology products to attract manufacturers to set up car plants in the country.

Mr Fernando Collor de Mello, president-elect, yesterday gave a clear hint that he wishes to see a modernisation of the Brazilian motor industry.

Asked whether his government would relax the policy of "reserved markets" for specific sectors such as computers, Mr Collor raised the issue of the car industry.

He repeated his claim made last week in West Germany that Brazilian-made cars were more "cars" compared to what was available on the world market. Only by allowing in high-technology components could the country compete, he said. "I am against any system of reserved markets," he said. "They preserve inefficiency and hide incompetence."

The president-elect, who takes office on March 15, partially absolved the local industry - comprising Volkswagen, Ford, GM and Fiat - from complete blame for outdated products.

"It is not just the fault of the manufacturers, it is also due to the rules imposed on them," he said. Mr Collor's spontaneous reference to the industry will be closely examined by local producers following mounting speculation that he is actively trying to attract a Japanese car maker to the country. On his visit to Tokyo last month, he was closely questioned by Nissan on his plans for the industry and is said to have held confidential talks with Honda.

Last year, the Brazilian industry produced some 750,000 units, but saw overseas sales drop substantially due, they claim, to a 30 per cent overvaluation of the cruzeiro's exchange rate.

Mr Antonio Rogerio Magri, president of the right-wing General Labour Confederation, has been appointed Labour and Social Security Minister in the incoming government.

Pay pitches baseball into chaos

Roderick Oram looks at a row that could delay the season's start

FOR only the third time in a century, baseball club owners have locked out players in an arcane fight over pay practices which threatens to delay the start of the season for weeks.

The players for once cannot be accused of grabbing for more riches and would be quite happy with the status quo. The fans, deeply confused by the dispute, are getting very angry with owners for denying them baseball.

"If ain't broke, don't fix it," is the attitude of players and fans, since baseball never had it so good.

During the 1980s, nationwide attendance almost doubled, all but a handful of the 26 major league teams are profitable, industry revenues have jumped to around \$1.6bn last season and players average salaries have soared like a fly ball from \$143,766 a year to \$490,000.

Against such a healthy backdrop, the owners are finding it difficult to articulate their problem and proposed solution. They are trying to say that

granting of free agent status to players earlier in the 1980s is wreaking havoc with labour costs and severely disadvantaging smaller and poorer teams.

In the bad old days of labour contracts, teams virtually owned players. But now players with more than six years major league experience are free to negotiate the best deal they can with any team, subject to some complex regulations.

As a result about 50 players are likely to earn more than \$2m each this season, against only 19 last. Will Clark, a San Francisco Giants first baseman, signed in January a record \$15m, four-year contract.

The owners would like to say that free agency was crippling them. But in fact revenues have risen faster than salaries. They have colluded over the years to subvert free agency and now face court imposed damages that could rise to around \$100m.

Instead, the owners say the

system makes the rich teams stronger and the poor weaker. The top five teams such as the New York Yankees and the Kansas City Royals had an average payroll of \$16.5m last season.

The bottom five such as the Cleveland Indians and the Seattle Mariners, paid only \$8.5m. Since talent can be bought, poor teams have performed poorly.

The owners also say a new pay system will help them forecast their costs better. But deep down, critics charge, the owners are secretly trying to regain financial control over the players.

The clubs are proposing to pay players with up to six years experience from a national pool funded by 48 per cent of their revenues from tickets and broadcast rights. These two sources make up 82 per cent of their total revenues. Each player would be paid according to his performance statistics.

But even in a nation

obsessed with the most trivial of sports data, the notion that a ball player's athletic prowess, art and entertainment can be reduced to numbers and dollar signs troubles many fans.

But this way, the owners argue, poor teams will be able to afford the same young talent as rich. The owners are also want to sneak in some curbs on free agency status.

The players are proposing instead a new contract on conventional lines but with an increase in starting pay from \$68,000 to between \$100,000 and \$125,000 and an increase in the minimum team roster from 24 players to 25.

Fans might be able to forego the pleasures of the spring season games, but if it looks as though the April 2 start of the season proper will be jeopardised, the owners will start hearing a lot of choice epithets from the fans who have made them very wealthy.

Reluctant US adjusts to likely Ortega win

By Lionel Barber in Washington

The US has begun to adjust to the possibility of a victory by President Daniel Ortega, the Sandinista leader, in Nicaragua's forthcoming election.

US officials insist Mrs Violeta Chamorro, the opposition candidate, still has a good chance of winning the election.

But even the most partisan observers admit Mr Ortega's campaign is better financed and better organised, thanks to the left-wing Sandinista party's control of the state machinery.

The prospect of a victory by President Ortega - once likened by President Bush to a "skunk at the picnic" - is repellent to the US. But Mr Bush, in contrast to the Reagan administration in 1984, encouraged the opposition to contest the elections.

Under congressional pressure, it also agreed to cut off military aid to the Contra resistance to support national reconciliation, thereby foreclosing Mr Reagan's option of toppling the Sandinista regime by force.

US officials said this week that while electoral intimidation is still a problem, the level of political violence has



Daniel Ortega, ahead.



President Bush, encouraged.

"diminished substantially".

Polls by two Nicaraguan groups with ties to the Ortega government show the Sandinistas with a 14 point lead, while a polling company hired by the National Opposition Union finds Mrs Chamorro with a six point lead.

A US company called Ben-

tion in 1979. This week, the administration began to sketch its view of a world with Mr Ortega back in power. A senior US official made clear that the February 25 election, while a "critical step", was only part of a wider process of reconciliation inside Nicaragua and Central America - as set out in the Esquipulas regional accords.

Thus, the US expected all Nicaraguans (including US-backed Contra forces) to be integrated into a democratic system, and it wanted to see the Sandinistas end their support for guerrilla movements in neighbouring countries, notably El Salvador. This message was conveyed to the Soviet Union during high-level talks in Moscow last week.

The senior US official also made clear the US would not commit itself to accepting the verdict by independent observers such as the Organisation of American States, the United Nations and former President Jimmy Carter on whether the election was free. This is partly due to the Sandinista's refusal to allow a presidential election observer team into Nicaragua.

Argentine minister to run state entities

By Gary Mead in Buenos Aires

MR ANTONIO ERMAN Gonzalez, Argentina's economy minister, is to take control of the financial running of state-owned companies, previously handled by the Ministry of Public Works. The move is an attempt to bring the companies into line with plans to reduce Treasury support after estimated losses of \$5.5bn in 1989.

Mr Gonzalez announced the changes during a television chat show late on Tuesday evening. The move did not imply poor administration by Mr Jose Roberto Dromi, Minis-

ter of Public Works, he said, but that current administration of the companies' expenditure acts "as if [the companies] were outside the country, without taking into account the needs of the Treasury."

Estimates suggest that, despite President Carlos Menem's promise when he took office last July that Treasury support for the public sector would stop, 50bn australs (\$16.6m at current exchange rates) of government funds was used to bale out nationalised companies in January this

year. The most heavily supported company, Ferrocarriles Argentinos, the state-owned railways corporation, is thought to have required \$10m.

Such heavy subsidies have given rise to Argentina's fiscal deficit problems and ultimately its hyperinflationary bursts. But while Mr Gonzalez is trying to force through cuts to the government's public sector bills, political pressure from within Peronist movement, is pulling in the opposite direction.

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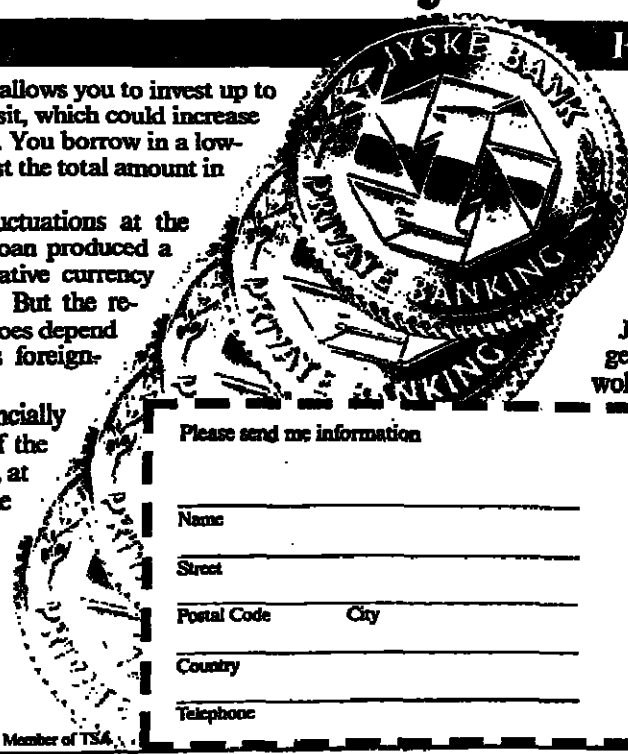
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BRUSSELS CONCEDES WIDER ROLE FOR GATT

EC gives way on rules of origin

By William Dullforce in Geneva

THE European Community in a significant shift of policy has agreed that general principles governing rules of origin should be laid down in the Uruguay Round multilateral trade talks taking place under the General Agreement on Tariffs and Trade.

Chaired by Japan, the US and Hong Kong with using rules of origin as an instrument of trade policy to protect domestic industries, the EC had argued the matter was purely technical and should be handled by the Brussels-based Customs Cooperation Council (CCC).

But within Gatt, Japan, which claims the Community has misapplied rules of origin in taking anti-dumping action against imports of Japanese electronic products, has been particularly keen to have the issue dealt with in the Uruguay Round.

Rules of origin are used to determine where traded goods come from and are especially relevant, when exporters try to circumvent anti-dumping charges levied on them by delivering from a third country or by assembling in the importing country. Gatt does not regulate rules of origin, govern-

ment have had a free hand and the result has been a complexity of practices, creating confusion for traders. The EC claims that the US applies 19 different rules of origin.

Yesterday the EC conceded that trading nations should commit themselves to respecting eight principles for rules of origin within the Gatt framework. They should be non-discriminatory, neutral, transparent, predictable and consistent.

All interpretations of the rules should be challengeable before a judicial authority in

the importing country; they should be applied equally for all trade purposes, whether anti-dumping action, public procurement or statistics; and conflicts over the principles should be put to Gatt's dispute settlement mechanism.

But, the EC insisted, the US and other countries, which had not already fully adopted the annex on origin rules in the CCC's Kyoto Convention, should do so and further discussion on harmonising or technically improving the rules should take place in the CCC. The convention lays down a

ters not within Gatt's purview so far - could be integrated into a coherent multilateral trading system. Some kind of umbrella organisation could be envisaged but no common Community view had been elaborated.

Mr David Woods, Gatt's spokesman, said while the ITO idea was very interesting, the emphasis in the Round was on establishing credible new trade rules. Businessmen, seeking a more efficient trading environment, would not be particularly interested in whether it was achieved under Gatt or an ITO. But, he added, the group dealing with the functioning of the Gatt system in the Round had been mandated by trade ministers to consider Gatt's future status.

"Last substantial transformation" criterion in determining the origin of a product.

In addition, the EC wants the rules it uses under preferential trade agreements, such as that for the African, Caribbean and Pacific countries under the Lomé convention, to be left out of the Gatt talks.

The Uruguay Round cleared an additional hurdle yesterday with an agreement on a time schedule for the negotiations on the elimination of customs duties on tropical products. Agreement was also expected today on reductions in non-tariff barriers to trade.

For tropical products, of particular interest to developing countries, governments have to table by March 15 offers for abolishing or substantially cutting trade barriers. Completion of the final package of concessions will start in April.

March 15 was set informally - subject to agreement today - as the date for the tabling of requests that governments lift specific non-tariff measures against imports.

With the January 30 compromise over how to negotiate cuts in import tariffs these two understandings would give the Round firm schedules for negotiating substantial increases in market access for traded goods.

Uncertain future for Israeli trade policy

By Hugh Carnegie in Jerusalem

THE resignation this week of Mr Ariel Sharon, Israel's strongly protectionist Trade and Industry Minister, has focused attention on Israel's future trade policy.

His resignation dismayed Israeli industrialists and unions who saw him as a strong defender of their interests.

But his performance evoked less enthusiasm from importers, US and European Community trade officers and Finance Ministry and Bank of Israel officials anxious to promote less interventionist trade and industrial policies, especially in advance of the 1992 internal market reforms in the EC, Israel's main trading partner.

"Under his guidance, the ministry has been predominantly pre-occupied with protecting Israeli industry at a very high cost to the Israeli economy and to industry itself in the long run," said one senior businessman yesterday.

"In view of Eastern Europe opening up and 1992, (Mr Sharon's departure) may be a very timely opportunity for Israel to change things."

Although Israel has free trade agreements with the EC and the US, Mr Sharon's readiness to use various levies and non-tariff barriers such as tough labelling and standard requirements for imports has drawn frequent complaints from Washington and Brussels.

But Mr Sharon's defenders, including the Manufacturers' Association, argue that Israeli non-tariff barriers are no worse than in other countries, including the US and the EC. They also point to the large EC trade surplus with Israel.

High tech chief calls for international collaboration

By Louise Kehoe in San Francisco

THE HIGH technology industries of the US, Europe and Japan must form multinational collaborative research consortia to solve technology challenges, rather than limit co-operative efforts to national or regional groups, a prominent Silicon Valley electronics industry executive has proposed.

"Without co-operation, we could see a world where technological nationalism and protectionism chokes the flow of progress and opportunity for all nations," warned Mr James C. Morgan, a member of President Bush's National Advisory Committee on Semiconductors (Nacs).

As a staunch Republican, Mr Morgan is likely to receive a sympathetic hearing from the Bush Administration, which has recently been embarrassed by criticism from other electronics industry executives for its lack of leadership in efforts to maintain US competitiveness in high technology.

Mr Morgan's views also won the guarded approval of Mr Cees Krijgsam, the chairman of the Joint European Submicron Silicon Initiative (JESSI), who attended the Applied Materials meeting as a member of the company's board of directors.

International co-operation in high technology research "has become an imperative" said Mr Krijgsam. "What is very impor-

tant is not which countries are co-operating, but whether there is true reciprocity," he explained. "If one party loses then co-operation is a failure."

International co-operation will happen in electronics whether or not it is encouraged by politicians or industry leaders, suggested Mr Krijgsam.

"The issue is finding ways to cope with it."

Mr Morgan envisages "international teams, working jointly together in the pre-competitive stages of research and development of a new technology."

Such co-operation would eliminate duplication of effort and reduce risk, he suggests.

Individual companies have already established international co-operative ventures, Mr Morgan noted, citing the recent agreement between IBM and Siemens to develop advanced memory chips, and a similar pact between Texas Instruments and Hitachi.

E Europe to double telecom spending

By Hugo Dixon

SPENDING on telecommunications equipment in Eastern Europe is expected to double between now and the end of the century, according to a study published this week by the UK-based Telecommunications Research Centre (TRC).

This explosion in demand, spurred on by political reforms, will make Eastern Europe the most important growth market for telecommunications equipment this decade.

Total worldwide spending on telecommunications equipment will increase by 65 per cent, from \$122bn to \$200bn, between 1990 and the year 2000, says the

TRC. This rate of growth, which is slower than that experienced in the past decade, largely reflects the fact that most developed countries are well into their network modernisation programmes.

By contrast, spending in Eastern Europe, including the Soviet Union, is forecast to double over the next decade to \$32bn as the new governments seek to catch up on decades of underinvestment. The penetration of telephones in Eastern Europe is about a quarter of what it is in the West.

In 1988, the USSR had 35m telephone lines, equivalent to 12 lines for every hundred people; Poland had 2.8m lines (a 7 per cent penetration); Romania had 2.3m (10 per cent); Bulgaria had 2.1m (23 per cent); Czechoslovakia had 2.0m (13 per cent); and East Germany had 1.7m lines (10 per cent).

At the same time, the US had 125m lines, equivalent to 51 for every 100 people; West Germany had 27.7m a penetration rate of 45 per cent; and Sweden had 5.5m (65 per cent).

Telecommunications Equipment World Market Perspective 1990-2000, Telecommunications Research Centre, 4/5 The Square, Barnham, Bognor Regis, West Sussex, PO22 0BB, UK. £295.

Unhappy interface for computer industry rivals

Lucy Kellaway unravels a row over copyright

NOBODY can remember when a Brussels directive ruffled so many feathers. Even a 1979 measure protecting wild birds, which caused near-hysteria among French nature lovers, was uncontentious compared to a draft proposal on copyright protection for computer software.

The directive has divided the computer industry. One side says that if it goes through it will be tantamount to handing the whole European computer industry to the likes of IBM and DEC. The other side says that if the directive is blocked, the industry will be wide open to pirates of all nationalities, Japanese ones in particular.

The measure is a part of the single market in computer services, and sets out to establish a single rule for protecting European software. The principle is uncontroversial: everyone agrees that computer programs should be subject to copyright laws - indeed such measures already exist in the UK, West Germany, France and Spain as well as in the US and Japan.

The row is over the balance to be struck between competition and protection. It has been sparked by two provisions in the directive: one would make the "interface" - is the part of the program that allows two different bits of computer hardware or software to talk to each other - subject to copyright law. The other would make it illegal to take to pieces (or "reverse engineer") a program.

There is a great deal to be gained or lost by each side. The market for interoperable

computer systems (ie those that are made up with parts made by different manufacturers) in Europe is growing at about 50 per cent a year; rapidly growing market share for the proprietary systems, dominated by IBM. At the moment the role of small and medium sized European companies is fairly strong in this market: the danger is that a more restricted market-place would give power to those with the most money.

The general principle underlying copyright law is that an idea expressed in a program does not belong to anyone and should not therefore be protected.

When it was discussed by industry ministers many seemed not to understand the brief - so resolution may be some way off.

tested; it is only the expression of that idea that should be subject to copyright. The problem seems to be that an interface involves a bit of both, so there is room for disagreement on whether it should be protected, and on whether reverse engineering should be allowed to get at it.

On one side is the European Committee for Interoperable Systems (Ecis), which has lined up behind it such companies as Amstrad, Apricot, Olivetti and a European subsidiary of Fujitsu, the Japanese computer group. It argues that an interface is an idea, and predicts dire competitive implications if it is granted copyright protection. It argues that in explicitly banning reverse engineering, the directive is preventing the industry from a legitimate way of understanding how the interface works. Unless companies reverse engineer, control will always rest with the company that built the interface.

The other side is the Software Action Group for Europe (Sage), which includes IBM,

Apple, DEC and Siemens. Sage argues that the ideas inherent in interfaces are available anyway as part of common industrial practice. In the case of personal computers, it says, they can usually be copied simply by reading the manual (a claim hotly disputed by the other side). Moreover, if any company was restricting access to its information, Sage notes that the Commission could intervene under Article 86 of the Treaty of Rome.

It says that to allow reverse engineering would simply be an invitation to the pirates. Moreover, the kind of reverse engineering techniques that would allow one company to examine another's work are very expensive, and were it allowed, it would therefore make it easier for large companies to reverse engineer a small company's product, rather than vice-versa.

To make matters more complicated, both sides have drawn on the complexity of copyright law to claim that copyright protection in the US does not permit reverse engineering unless it is for a "fair use", and even though this has never actually been put to the test in court, a recent opinion from the US Government suggests that a defendant using this for copying an interface would get a particularly sympathetic hearing.

Within the commission the issue has got bogged down under a weight of propaganda from both sides. The European Parliament, which had previously been sympathetic to Ecis, is now having second thoughts and is waiting for clarification from the Commission, which is expected shortly.

Meanwhile the position of member states is also confused. The issue divides more along industry than political lines, and most member states do not know which way to turn. When it was discussed briefly by industry ministers in December, many seemed not to understand the brief - so resolution may be some way off.

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FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

UK NEWS

Expected rise in mortgage rates likely to hit inflation

By David Barchard, Peter Norman and Andrew Taylor

HOME BUYERS in the UK face a new round of mortgage interest rate increases after Abbey National, the second largest mortgage lender, yesterday raised its main lending rate by 0.5 percentage points.

The increase, which surprised other lenders by its size and timing, will boost the annual rate of UK inflation while adding to distress among borrowers and dealing a further blow to an already sick British housing market.

If other lenders match Abbey National's mortgage increases, Britain's annual inflation rate will rise by around 0.5 percentage points.

Analysts estimate that inflation, which was 7.7 per cent in December, could be back around 8 per cent in April as higher mortgage rates and the effects of the community charge or poll tax feed through into the retail price index.

Abbey National's basic mortgage interest rate rises to 15.4

per cent from 14.5 per cent with effect from today for new borrowers. Existing borrowers will pay more from March 1 when rates for savers will also increase by around 0.75 percentage points.

Mr John Bayliss, Abbey National's Managing Director, said rates to borrowers had been kept down as long as possible after last October's one point increase in bank base rates to 15 per cent. Mr Bayliss said: "The interests of our 8m savers cannot be ignored, therefore a mortgage rate rise is now unavoidable."

Halifax and Nationwide, the two largest home loans and savings groups, indicated they will follow Abbey National and put up mortgage rates soon. Their rates are likely to rise from March 1, though the two societies may try to hold their lending rates below Abbey National.

The clearing banks would then be under strong pressure

to raise mortgage rates. Yesterday the banks said that they were reviewing the situation.

A further round of increases would take building society interest rates to their highest level since October 1981, putting strain on borrowers.

The Council of Mortgage Lenders yesterday reported a rise in arrears and reposessions in the second half of last year. More than 58,000 borrowers, out of a total of 7.95m building society mortgages, were more than six months in arrears at the end of 1989.

Neither the Treasury nor the Bank of England appeared disturbed by yesterday's news.

Officials said higher mortgage rates became likely once it was clear that there would be no early reduction in base rates. Mortgage rates had been low relative to base rates, while data suggested consumer demand was not as depressed as had been thought, they said. *Lex, Page 16*



Patten: in "minority of one"

Commission fails to agree on UK sea dumping

By John Hunt, Environment Correspondent

OFFICIALS from the 13 countries on the Oslo Commission, meeting in London yesterday, failed to reach agreement over demands that Britain should cease dumping industrial waste in the North Sea.

The commission implements the North Sea Conference agreement to ban dumping. The complaints came from Germany, Sweden, Denmark, the Netherlands and Norway.

As a result, Britain will continue to renew dumping licences for the time being although it is committed to phasing them out as soon as possible.

Mr Chris Patten, the Environment Secretary, is likely to come in for criticism when he defends Britain's position at the Third North Sea Conference in The Hague in March.

Mr Paul Horsman, Greenpeace campaigner, said last night: "Britain was in a minority of one at the meeting."

A spokesman for the Department of the Environment said: "We have reduced dumping by 50 per cent since 1980. We expect to terminate most licences within two years."

Under the North Sea Conference agreement, all signatories were committed to end dumping at the beginning of this year. They could only continue if there were no practical alternatives on land and the materials posed no risk to the marine environment.

Britain, currently the only member country to continue dumping in the North Sea, claims that the activities of UK companies fall within this definition.

The complaints at yesterday's meeting of the commission concerned three licences, which will permit 51,000 tonnes of waste to be dumped.

NEWS IN BRIEF

Whisky group urges equality in excise duty

The Scotch Whisky Association yesterday urged Mr John Major, the Chancellor of the Exchequer, to begin moves in his March Budget towards the equalisation of excise duties on all alcoholic drinks.

Discrimination against whisky should be reduced by taxing all drinks according to degrees of alcohol content, it said.

The association also pressed for the introduction of a maturity allowance for all stocks of maturing whisky distilled within the statutory minimum period of three years.

B2W inian quits
Mr Peter Holloway, 49-year-old head of equities and market making at Barclays de Zoete Wedd, the stockbroking group, has quit after a difference over management style.

Mr Holloway's departure comes only two weeks after a batch of redundancies at the company which was heavily concentrated on the market-making side.

Arts rescue package

The Arts Council has stepped in with an emergency rescue package worth more than £2m to save the English National Opera and the English National Ballet, from possible closure after Westminster City Council withdrew 90 per cent of its funding.

The council claimed that under new legislation it would lose lucrative business rates and would have to concentrate arts grants on local rather than national companies.

'Absurd' recycling

Friends of the Earth, the environmental lobby group, has called the state of waste paper recycling in the UK "absurd", as it published a report on the waste paper industry and barriers to recycling.

Ms Peni Walker, the recycling campaigner at the FoE, said "the waste paper that is easiest and cheapest to collect is not being fully utilised, and the high-quality waste paper needed to make recycled stationery is used for short-life unrecoverable products."

Clarke criticism

Family doctors who claim that the Government's new contract justifies the removal of patients from their lists are "dishonest" and "unprofessional," Mr Kenneth Clarke, the Health Secretary, said yesterday.

He rejected claims that the contract would create financial justification "or any respectable excuse" for removing patients.

Sky subscription

Mr Rupert Murdoch's Sky Television has already signed up close to 300,000 homes for its Sky Movies channel, the film subscription channel that costs just over £9 a month.

The total, which represents around 50 per cent of Sky viewers with their own dish receivers, is early evidence that satellite television viewers might be prepared to pay monthly subscriptions for extra television.

No fur at Harrods

Harrods, the London department store which is part of the House of Fraser group, said that it would close its fur salon in April for "commercial and economic" reasons due to the fall in demand for furs.

Lynx, the anti-fur pressure group, claimed success for its campaign. "In less than five years the British public has become aware of the extreme and totally unnecessary cruelty involved in the production of fur coats."

Drive against AIDS

A major anti-AIDS drive was launched in the UK yesterday amid serious misgivings as to how effective it will be.

The Health Education Authority's latest £2.7m press and TV advertising campaign warns that AIDS could be as potentially disastrous as the greenhouse effect.

Textile receivership

James Seddon UK, which makes shirts for Marks and Spencer which employs 2,000 at night factories in the UK went into receivership yesterday after losses and cash flow problems following its 1987 acquisition of Havelock, a blouse maker.

Mr Allan Griffiths, a partner in accountants Grant Thornton, which has been appointed receivers, said the economic downturn and the textile industry's troubles were not factors in the company's difficulties.

In-house credit

Chartered Trust, the finance house subsidiary of Standard Chartered Bank, is to launch an in-house credit card aimed at small and medium-sized retailing groups and individual shops, particularly those trading outside the London area.

Hurd defends sanctions policy

By Ivor Owen, Parliamentary Correspondent

Mr Douglas Hurd, the Foreign Secretary, told the House of Commons last night he would consult Britain's EC partners in Dublin on Tuesday about the Government's intention to stop advising UK companies not to undertake new investment in South Africa.

He insisted, however, "the logic of the voluntary ban on investment has run out".

Mrs Margaret Thatcher, the Prime Minister, was a notable absentee from the Government front bench when Mr Gerald Kaufman, the shadow foreign secretary, renewed Labour's attack on her refusal to keep in

step with the United Nations, the US and EC over the relaxation of sanctions.

Mr Hurd endorsed the Prime Minister's view that the initial moves towards changing South Africa's apartheid system justified a positive response, but ran into difficulties over the implications for earlier UK undertakings to the EC.

He said the Government would not be instructing British companies to re-invest in South Africa. It would be a matter for their judgement on "straightforward commercial grounds".

Mr Hurd stressed that Brit-

ish companies would be looking to South Africa's prospects as a stable and prosperous country, and argued that they would be improved if President de Klerk were given an incentive to continue his policies.

Mr Kaufman, who described Mrs Thatcher as the "world's best friend of apartheid", pressed Mr Hurd to say whether, in unilaterally withdrawing the advice to British companies not to invest in South Africa, the Government would be in breach of undertakings given to the EC.

Oil giants cleared of price-fixing

By David Thomas, Maurice Samuelson and Ralph Atkins

CLAIMS that the big oil companies collude to keep the price of petrol artificially high were rejected yesterday by the Monopolies and Mergers Commission after a year-long investigation.

The commission's 470-page report rejected allegations that oil companies made monopoly profits from petrol wholesaling, or from their other downstream businesses.

In one of the most comprehensive vindications of an industry it has published, the commission found that UK pump prices are mainly determined by international oil prices and that oil companies do not implement petrol price rises more quickly than price falls.

The commission made no recommendations for structural changes in the retailing of petrol - one of the most politically sensitive of the oil companies' activities - which accounts for 3 per

cent of UK consumer expenditure.

The only action proposed by the commission was for a regular annual review by the Office of Fair Trading (OFT) of pressures which might lead to reduced competition in the industry.

The oil companies, which had feared that they might be forced to alter fundamentally their price support and licensing arrangements with petrol stations, warmly welcomed the commission's findings. They agreed that they needed to explain their business more effectively.

By contrast, the Petrol Retailers' Association, which represents independent dealers and which spearheaded the criticism of the oil companies, expressed surprise and disappointment that no changes were to be made in such a large industry. *Editorial comment, Page 14*

Judge orders fresh start in Guinness case

By Raymond Hughes, Law Courts Correspondent

THE Guinness trial came to a sudden halt yesterday morning after a juror asked to be excused on health grounds and the entire jury was discharged.

Selection of a new jury at Southwark crown court, London, will be completed on Friday and the trial, which is expected to last until late July, will start afresh.

It was the second false start to the case in which Mr Ernest Saunders, the former chairman and chief executive of Guinness, and three other City figures have pleaded not guilty to criminal charges arising from the 1988 takeover battle for the Distillers drinks group.

The jury was selected on Monday and the prosecution had been due to make its opening statement the next morning.

On Tuesday, however, two jurors were excused - one because of an intermittent medical problem, the other for work reasons.

Replacements were sworn in, the indictment was read out for the second time and Mr John Chadwick, QC, spent two hours outlining the prosecution case.

Yesterday, when the third juror asked to be excused because she suffered regular attacks of migraine, the trial judge, Mr Justice Henry, decided after discussions with the prosecution and defence lawyers that the trial should be restarted with a completely new jury.

It would, he said, be wrong to go on with a trial of such length and complexity with only 11 jurors and, "as the defendants unanimously, and for proper, understandable and non-tactical reasons, wish the whole selection process to be done again, that must be the right course."

Yesterday afternoon the judge stressed to the 80 or so jurors-in-waiting, from whom the new jury will be selected, the importance of being sure that they could attend court daily for up to six months.

Mr Saunders' co-accused are Mr Gerald Konson, chairman of the Heron group, Mr Anthony Barnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier.

The charges on the 24-count indictment relate to an alleged unlawful share support operation mounted by Guinness during its bitterly fought takeover battle with Argyll for the Distillers group.

Forty were excused from service because they had a holiday booked, were to be married or had an examination during the next six months, or because they had a medical or health problem, or for self-employed or indispensable to their employer's business.

A panel of 20 was selected from those remaining and the eventual 12 chosen by ballot.

The trial began on Tuesday, only to be delayed on Wednesday morning when two of the 12 had to be discharged - one because of an intermittent medical problem, the other for work reasons.

The discharge of a third yesterday because she suffered from intermittent migraine - something she had not thought to mention when questioned - showed the need for more detailed questions to be asked of those being asked to serve on a jury for six months.

Lengthy trials expose difficulties in finding 12 "good men and true"

Raymond Hughes on problems with juries and lessons from the US

THE aborting of the first Guinness trial on its third day because of the need to discharge a juror for health reasons is likely to revive the debate about the use of juries in fraud trials.

The emphasis, however, will not be, as it has been in the past, on the ability of 12 men and women randomly selected to cope with the minutiae of a complex fraud but on the impossibility of guaranteeing that, in the course of a long trial, the jury will not be reduced below the legally permitted lowest limit of nine by reason of death or illness.

The argument in favour of substituting for trial by jury, trial by judge alone or by a tribunal consisting of a judge and two lay members will be seen as having been strengthened simply because, statistically, the fewer people involved the longer the odds against one falling by the wayside.

(The case in March, 1988, when a trial had to be stopped after the judge, one of the defendants, two witnesses, a barrister and a juror all died, can be regarded as an aberration.)

Another solution which might now be considered would be to adopt the US system of standby jurors, of whom anything between two and six are sworn in and sit in on the trial ready to step into the jury box when needed.

The use of a replacement is at the discretion of the judge, who can either adjourn the hearing if a juror's indisposition is going to be brief, or bring in a standby.

In the US the jury system is constitutionally based. Juries are used even in the most sophisticated corporate criminal cases and there is no move to change that.

The very complexity of fraud trials means that they are likely to last considerably longer than other criminal cases. Whereas a fraud trial is usually measured in months, the average length of the 105,000 cases sent to Crown Court in 1988 was 7.4 hours - two days' court time.

If a jury is reduced by one or two when a trial has only a relatively short time to run the judge can reasonably carry on in the hope that no further problem will arise.

But if it happens, say, two months into a six month trial the risk is that much greater and the potential consequences in terms of cost and, of equal if not greater importance, the additional strain imposed on defendants if the trial eventually has to be abandoned and a fresh start made, become much more critical.

There was agreement at the Guinness case that it would be too great a risk to carry on with a jury of 11 with possibly six months to go.

There was, therefore, little alternative but to start afresh by empanelling a new jury. Swearing in a replacement juror would in any event have required a return to square one, with the indictment being read over to the jury again and the prosecution starting its opening statement again.

From the defendants' point of view, having 11 of the original jury hearing the first part of the prosecution's opening statement for a second time might have been regarded as possibly prejudicial.

The problem must not be overstated, however. The situation that has arisen in the Guinness trial is, if not unprecedented, at least unusual. For example, the last

long fraud trial at Southwark Crown Court was the Alexander Howden case which ran from May to August last year without losing a single juror. In 1988 juries returned verdicts in nearly 27,000 criminal cases.

However it has pointed to the need for even greater stringency in the already reasonably comprehensive jury empanelling process.

About 100 jurors-in-waiting had been screened for the Guinness trial on Monday. All were given two lists of questions to answer to ensure that they had no connection with the case, the defendants or the witnesses, the other dealing with their personal situation.

Forty were excused from service because they had a holiday booked, were to be married or had an examination during the next six months, or because they had a medical or health problem, or for self-employed or indispensable to their employer's business.

A panel of 20 was selected from those remaining and the eventual 12 chosen by ballot.

The trial began on Tuesday, only to be delayed on Wednesday morning when two of the 12 had to be discharged - one because of an intermittent medical problem, the other for work reasons.

The discharge of a third yesterday because she suffered from intermittent migraine - something she had not thought to mention when questioned - showed the need for more detailed questions to be asked of those being asked to serve on a jury for six months.

UK NEWS

Westland signs memorandum with Franco-German helicopter venture

By David White, Defence Correspondent

WESTLAND, the UK helicopter manufacturer, has signed a memorandum of understanding with Aerospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany to join the development project of a new army support helicopter project.

Doubts about the British Government's commitment to a four-nation anti-tank helicopter project have prompted Westland to make a provisional agreement with the Franco-German venture for the aircraft, recently renamed the Tiger.

The Tiger is a rival to the Light Attack Helicopter (LAH) project in which Westland is already involved with Agusta of Italy, Fokker of the Netherlands, and CASA of Spain.

A Ministry of Defence (MoD) decision on whether to continue with the LAH, currently in a cost-definition phase, is imminent.

The prime rival, favoured by British Army commanders for its heavier firepower, is an upgraded version of the McDonnell Douglas AH-64 Apache, which was used for the first time in combat during the US invasion of Panama last December.

Westland has already signed a memorandum with McDonnell Douglas for production in



Apache: favoured by the British Army over European rivals

the UK if the MoD opts for the more expensive US helicopter.

It has therefore now ensured its participation, whichever of the three army helicopters is chosen. Besides these three,

Britain has also been looking at the US experimental LH-70 programme which would com-

bine reconnaissance and light attack roles.

The Franco-German project will, however, become the main rival for the Apache if Britain withdraws from the LAH, as is widely expected.

The LAH, based on Agusta's current A-129 helicopter, has

been dogged by disagreements over specifications. The House of Commons Defence Committee said in a report earlier this month that prospects did "not look good" for the project being completed without further difficulty and delay.

The Franco-German Tiger, also beset by delays since a first agreement was signed six years ago, moved into full development in December, under a DM 1.5bn (£890m) contract. The first prototypes are due to fly by mid-1991.

Westland's agreement covers production of a UK derivative, with the company's workshare reflecting the helicopters ordered by the UK.

The French and West Germans both want the Tiger for anti-tank operations, with an additional French requirement for an escort and fire-support version. France has insisted on building in versatility in the hope of enhancing export prospects for the aircraft. The helicopter was previously known as the PAH-2 Germany or HAC/HAF in France.

The British Army needs to replace its Lynx helicopters. Senior officers have argued that neither the LAH nor the Franco-German Tiger is heavy enough to carry the range of weapons needed for the future battlefield.

Marks and Spencer sets sights on recruitment in continental Europe

Lisa Wood on British involvement at a Belgian recruitment fair

Mr Mike Shaw, store recruitment manager of Marks and Spencer, gently nudged the young Belgian woman in the direction of one of his colleagues. "Je ne parle pas le Français," he murmured.

Mr Shaw, along with four other M and S staff employees who did speak French, was staffing a stand at Belgium's largest national two-day recruitment fair, organised by Co-Media, a publisher of student magazines and literature.

An estimated 650 people at the event spoke to Mr Shaw and his colleagues about working in Britain with more than 1,600 information packs, containing specially re-written application forms, picked up by the throng of young people who crowded around the stall.

M and S, Britain's largest retailer, along with John Mowlem, the UK construction group and Valeo, the French car parts group were the only foreign companies at the fair - although Belgian subsidiaries of multinationals like American Express were well represented.

The presence of M and S, Mowlem and Valeo is indicative of an emerging trend in Europe - the extension of

domestic recruitment programmes into other European Community countries. This is distinct from the well-established practice of foreign subsidiaries of multinationals hiring local people for foreign operations.

Mr Shaw, who will also be attending recruitment fairs at Antwerp and Paris, said: "Everybody wants to know why we are here. We tell the students that we are not having difficulties recruiting in Britain at the moment but that with this strategy in place we will be well placed to recruit more people abroad in the future if it is necessary. In addition we want people who are prepared to travel, who have horizons beyond those of their own country. We are looking for an international workforce."

Mr Damien Rasse, director of Human Resources at Valeo, has a similar perspective. "Today, there is not a need to recruit like this - but we are seeking to develop a resource of people who are mobile both geographically and intellectually. The idea is that in the future, as international career development becomes more important."

Mobility, language skills and

"the ability to work with different groups of people without prejudice" were the main qualifications, said Mr Rasse, for managers with a "European approach."

"Nobody has raised the issue with us of wanting to be a Euro-manager," said Mr Philip Ulyett, manager of M and S's store in Lille, France. Mr Ulyett, a fluent French speaker, who was assisting on the M and S stand, said students he had talked to had expressed willingness to travel but no great enthusiasm for an international career.

Mr Ulyett's first impressions are endorsed by Ms Chris Lambrecht, the organiser of the fair. "Not that many people are keen to go abroad for long periods. Many would like to work outside of Belgium for four or five years but then they would like to come back," Ms Lambrecht said she had not set out actively to promote the fair abroad. "It is probably a bit early for me to launch a big campaign," she said.

Equivalent merits of qualifications, said Ms Lambrecht, was one problem companies recruiting within the EC had still to tackle. "I don't think it is easily solved," she said "but bright young people will find

their way all over the European labour market."

Ms Lambrecht had spent a day with M and S talking about equivalency of qualifications - with this being reflected in questions on the application forms. Commonplace British questions, such as whether applicants had done training in the Combined Cadet Corps/Air Training Corps or the Duke of Edinburgh Award, had been replaced with more general questions about leadership experiences.

Young people at the fair expressed surprise that companies like M and S and Mowlem recruited from a wide variety of academic qualifications. On the Continent degree qualifications are more vocational in character than British ones.

Opportunity to practice English was the most frequently cited reason for wanting to work in the UK, with many students expressing a wish to only work here for a short period.

Mr Thierry Vlerin, a 21-year-old Law student, said: "I don't like England and its reserved island mentality, but it is necessary to go there to improve my language. Everybody should be able to speak two or three languages."

European link urged for UK gas market

By David Thomas, Resources Editor

THE gas market in Britain will not be fully competitive until a link is built with the Continent's gas grid, the House of Commons Energy Committee said yesterday.

The committee also called for a review of the system of gas prices for large industrial customers and of the gas levy, under which British Gas pays the Exchequer 4p a therm for gas that comes from older gas fields.

The recommendations were contained in an 83-paragraph report on industrial and commercial gas prices, in which the committee urged Ofgas, the industry's regulator, to monitor British and Continental gas prices closely to ensure that the higher prices currently charged by British Gas were unavoidable.

It added: "We are surprised that no comprehensive examination of the practicalities and cost benefits of constructing a link with the European gas grid has been made known to us. We are persuaded that a fully competitive gas market cannot exist in Britain without such a link."

The committee asked Ofgas to consider whether to reintroduce the system by which large industrial customers

could negotiate individual contracts with British Gas for supplies subject to interruption at times of peak demand.

Individual contracts were replaced last year by uniform prices following the recommendations of a Monopolies and Mergers Commission report, but British Gas and some of its customers have criticised the inflexibility of the new arrangements.

The committee is worried that the gas levy could act as a disincentive for new investments in old fields. It quotes estimates that halving the gas levy would cost the Treasury £160m in 1991.

The report also highlights ways in which the present regulatory regime might be encouraging the wasteful burning of gas.

It urges the Government to consider amending the 1986 Gas Act to lower the consumption threshold - currently 25,000 therms a year - at which businesses move into the contract gas market. It also suggests strengthening Ofgas's powers to promote the efficient use of gas.

© Industrial and Commercial Gas Prices. Energy Committee, second report, 1989-90. HMSO, £13.30

Business stabilising after long downturn

By Rachel Johnson

THE ECONOMY has passed the point at which it could have tipped into recession, according to an upbeat assessment of the state of UK business.

The latest quarterly economic survey by the Association of British Chambers of Commerce, which covers 12 regions and more than 3,000 businesses - says that business prospects now appear to have stabilised after a prolonged downturn.

The chief cause for confidence is that more manufacturers are reporting increases in home orders than in the previous quarter. At the turn of the year, 36 per cent reported an increase, while 31 per cent reported a decrease. The balance between the two - which gives a guide to the trend - is five per cent.

This represents the first break in the sustained decline of previous quarters. Had the decline in home orders continued, this "would have suggested recession," the BBC says.

While the increase in base

rates last October did not deliver a new shock to demand, depressed domestic markets made manufacturers look overseas.

The survey confirmed last month's record exports growth of six per cent in December to reveal that the balance of firms reporting increases in export deliveries jumped to 15 per cent in the fourth quarter, compared to just four per cent in the third.

The level of manufacturers' planning to increase investment is dropping. However, the survey does not show a net balance of firms reducing their spending plans.

High interest rates were the overriding preoccupation of 78 per cent of respondents, who said a cut would improve business prospects. Almost as large a proportion declared that lower inflation would allow business to pick up.

Concern over high pay settlements was small - which the BBC attributed to the fact that employment growth had slowed to reflect reduced demand in the labour market.

Call for single authority to monitor oil rig safety

By Maurice Samuelson

THE oil industry yesterday called for a single regulatory authority with the power to close down unsafe North Sea Platforms.

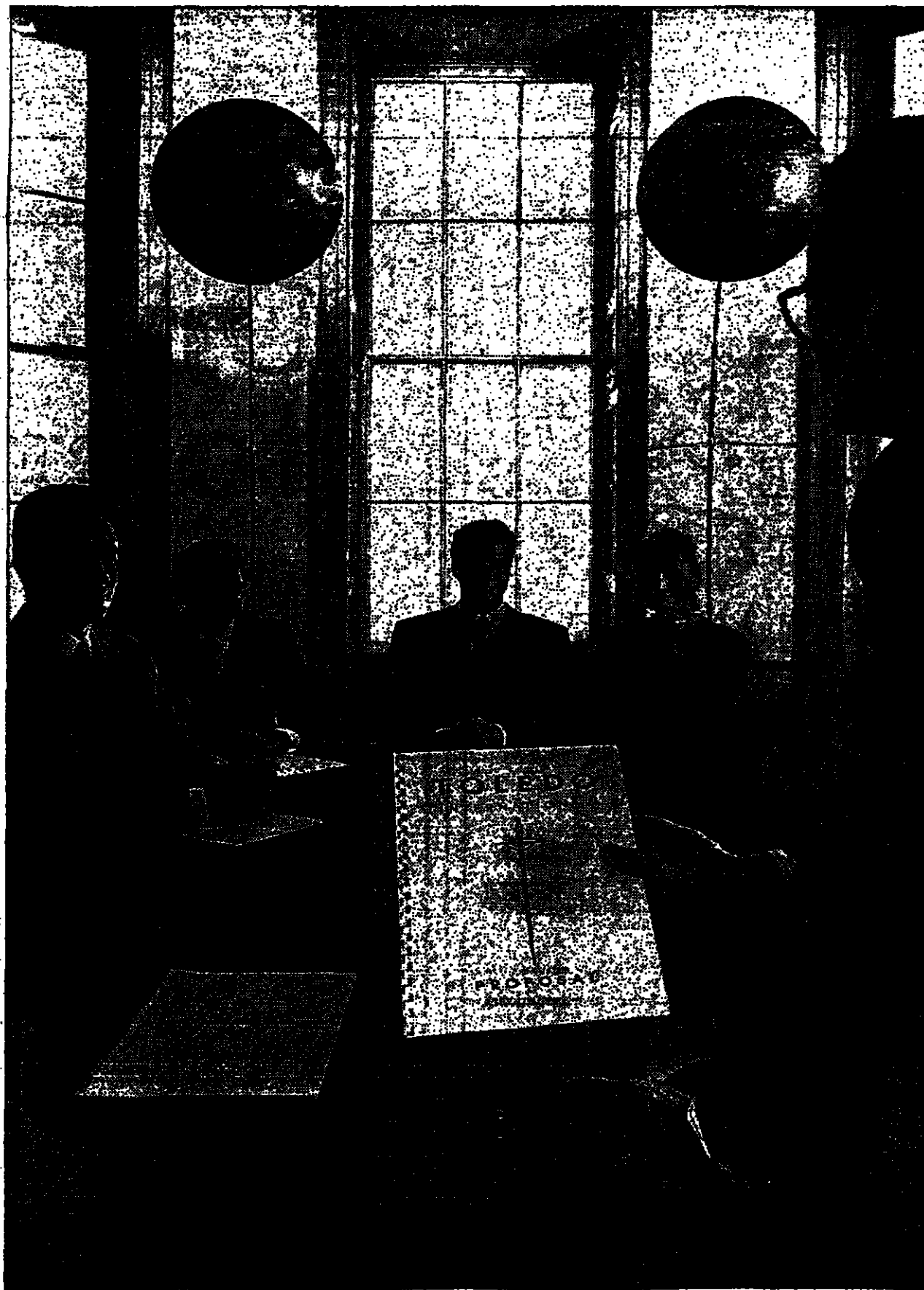
The UK Offshore Operators Association, representing the 36 companies involved in North Sea exploration and production, told the Cullen Inquiry into the Piper Alpha disaster that this authority must be properly resourced to enable it to assess management quality and to carry out formal safety assessments.

Dr Harold Hughes, the Association's director-general, said

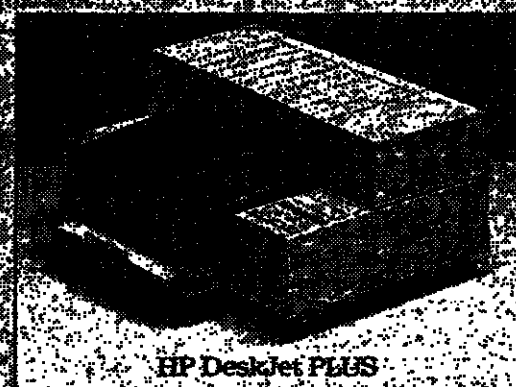
that since the July 1988 Piper Alpha tragedy, his industry had been reassessing its systems, procedures, standards and equipment to enhance safety. Its recommendations were intended "to ensure as far as is humanly possible that such a tragedy should not occur again."

The single regulatory authority would have the resources to ensure that an operator was fulfilling its responsibility for offshore safety, and with the power to order remedial action or to shut down the installation.

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MANAGEMENT: Marketing and Advertising

UK grocery retailing

How Safeway is enlisting customer power

Maggie Urry reports on the chain's 'meet the people' policy

If retailing in the 1970s was characterised by price wars, and in the 1980s by the arrogance bred by insatiable consumer spending, the 1990s is likely to be a period when shops need to woo customers by carefully identifying and satisfying their desires.

Successful shops will be those which give the shoppers what they want in terms of what products they want, at the price they are prepared to pay, in the surroundings they find convenient. Like many things which seem obvious, these ideas are too often missed by those involved.

Alistair Grant, chairman of Argill Group, which bought the Safeway food retailing chain in early 1987, says that while the company can endeavour to control internal aspects, such as costs, it is completely dependent on something outside its control - customers.

One of his priorities for Safeway is to differentiate it from other food retailers by making it recognised as the one which is most responsive to customer needs, both nationally and at store level.

Argill is number three in the food retailing league table after J Sainsbury and Tesco. Grant sees these two as unchallengeable, but says that Safeway must find a way to be distinctive.

A recent Which? report said that Safeway is regarded by shoppers as having helpful staff, with packers at the check-outs. Verdict, the retail market research group, says Safeway also scores by having a touch

larger range of products on offer - more than twice as many lines as Sainsbury - and stocks "regional" foods.

However, this wide range, and the lack of a strong own-label identity, can be confusing. And Safeway is behind Sainsbury, for example, in putting electronic point of sale technology to use in offering discounts or unit pricing, which allows customers to compare prices per 100 grams, say.

As part of Grant's campaign, Safeway set up a customer suggestion scheme in a store which it opened last July in St Helens, Merseyside, an area where it was not well known. The store - one of the highest in the chain - took more than any other Safeway in the week before Christmas.

The scheme also proved successful and has been extended to 14 stores, ranging from Penzance in Cornwall to Irvine in Scotland.

There is nothing particularly new in asking customers for comments. But Safeway has taken the scheme a step further by organising a "customer conference" - which it reckons is the first of its type in the UK.

One hundred people were selected from the 1,000 plus St Helens shoppers to attend the conference. The aim was to invite a cross-section from different age groups and backgrounds - though, as one pointed out, no disabled people were there.

Inevitably there is an element of self-selection in that only articulate, interested people are likely to

respond in the first place. Even so, Safeway managed to find some single parents and lone male shoppers.

The participants were bussed to nearby Southport, where, among the faded elegance and wrought ironwork, they spent a day grilling Grant and other Safeway executives and participating in small group discussions. Stuart Hall, of the UK's Knockout television contests, acted as master of ceremonies. Hall, who lives locally, is a "genuine Safeway shopper", says Grant.

Alan Taylor, Safeway's divisional marketing director, explained that in Safeway we're obsessed about talking to our customers. We want to get closer to customers than any other retailer. We will measure satisfaction in your terms.

Shopping, he said, can be boring and Safeway would like to make it easier, even enjoyable. "Today's shoppers' needs mould tomorrow's Safeway," he promised.

Already changes are being made as a result of customers' suggestions, Taylor reported. From the start it had become apparent that motorists and pedestrians alike hated the "way in" and "out" to the store, which is on a busy road. Safeway used the shoppers' complaints to put pressure on local planning authorities; a second exit from the car park is to be built shortly and a pedestrian crossing installed.

Trolley designs have been changed since many shorter customers complained that the handle was too high and picking things out of the trolley was difficult, Grant

says. Shallower trolleys with lower handles had been introduced.

A question and answer session threw up a number of issues, although there was a general consensus that the store was attractive and the staff friendly.

Could the two-hour free parking limit be extended? Why was there so much South African fruit on offer, sometimes without an alternative? Could the "kiddies' trolleys" - scaled down versions of shopping trolleys - be phased out because small children kept running into adult customers? Could the coffee shop offer children's meals after school hours? What about a crèche? Why are trolleys scattered all over St Helens? What about food irradiation? How will Safeway compete with Marks and Spencer and Sainsbury in the 1990s? Could Safeway introduce unit pricing? What about a home delivery service? Could the take-a-ticket queue system at the delicatessen counter be changed - it was like queuing for the dole?

Many ideas were discussed and put to the vote by Hall. A majority was happy to buy South African fruit, preferred the two-hour parking limit, knew little about irradiated food, liked the ticket system, wanted the children's trolleys retained.

Other suggestions were put forward. The children's trolleys - which Grant said were so popular with some shoppers that they kept disappearing into car boots - were part of a general problem of taking children shopping. One shopper

suggested that the store could help parents if it introduced the incentive of a badge awarded to well-behaved children.

Grant said he was nervous about having a crèche in case children were taken away by people other than their parents. Why not attach a number to a child and give a ticket to its parent, said one shopper.

While none of the questions was unexpected, since most were typical shoppers' concerns, Grant says that however much he reads research on what customers want, when a mother of three tells him what she finds annoying it has much more impact.

Round-table discussions brought out even more questions, until one brave shopper asked Grant: "Is this just a public relations exercise to maximise profits? Would you close the St Helens store if it was losing money?"

Grant's response was: "If we don't do this again next year it will have been a failure on our part; it will just have been a PR exercise. If we change things as a result it will be a demonstration that we are shaping the business towards what customers want."

During the day customers' responses were noted by an independent researcher, who reported back to Safeway. Shoppers were also asked to fill in a questionnaire on their way home on the bus.

Grant believes that holding the conference also sends a message to people throughout the group that



St Helens shoppers decided in favour of children's trolleys

the chairman regards the issue of meeting customer needs as vital. He says the group learns a lot from the customer suggestion scheme - he himself answers a few letters from customers each week.

Some things are easy to change - for instance, a suggestion that the rather clinical look of the nappy-changing room could be brightened up by fridges or mobiles.

But Grant is prepared to make bigger changes. He says, for instance, that "we will almost certainly introduce childcare in the St Helens store." This despite the fact that it would require space - one of any retailer's most precious resources - to be given over to an

area which would generate no direct profit.

But, Grant says, "it is very important to recruit the shopper with children."

If adding a crèche, changing the coffee-shop, redesigning the trolleys and reorganising the car park brings in a few thousand pounds of extra sales each week, the profit margin on those sales can be much higher, boosting the store's profitability.

Were the shoppers themselves convinced by their day out? One, who was in Grant's discussion group, summed it up. He seems sincere," she said. "The important thing is he came and listened."

Europe - one vast playground

David Churchill explores the opportunities available to leisure operators

When Stephen Tate was appointed as Mecca Leisure's first marketing

development director for Europe at the beginning of the year even he did not fully realise the enormous potential that the continent holds for UK leisure operators.

"It comes as quite a surprise when you begin to look at the numbers and the disposable income of consumers on the continent," he says. "When you also consider that there are very few established leisure operators in continental markets - then the opportunities are quite staggering."

Mecca has emerged as one of the UK's leading leisure-only operators since it was bought out by its management from the Grand Metropolitan group in the mid-1980s by success-

fully managing its portfolio of night clubs, theme restaurants, holiday camps, and bingo clubs.

But Mecca is well aware that making money from leisure in the UK can be a fickle business, even if some of its activities - such as discos and bingo - seem to be holding their own during the slowdown in consumer spending.

Hence the decision to target continental Europe. "We've always had the continent on our minds but now we want to make sure that we expand in a co-ordinated way," says Tate.

Mecca is not alone in eyeing the opportunities on the other side of the English Channel. Brent Walker, for example, is developing marinas in France and Spain while European Leisure has acquired several night-clubs on the continent,

adding to its disco operations in the UK.

Yet British leisure companies have been relatively slow in tapping the continental market. "They have seemed very reluctant to move out of their established domestic markets," points out William Martin,

director of Suffolk-based Leisure Consultants. "I'm not sure that many believe that the concept of mass-market leisure can successfully be exported."

One reason for this reluctance, he believes, has been the experience of British retailers on the continent. Chains such as Marks and Spencer, Habitat, and W H Smith have all found

expanding on the continent hard-going.

"Retailers undoubtedly found a clash of cultures in simply trying to take a UK operation and setting it down on the continent," believes Michael Ward, chairman of European Leisure. "Our strategy, however, is to buy up suitable properties on the continent and apply the professional financial and management techniques that we have developed in the UK."

Ward has found that continental disco operators are no different from those in the UK in failing to apply sound management to cash-rich busi-

nesses. "It's simply a matter of keeping on top of the money," he insists. Ward's European expansion plans are being financed by a £22m rights issue, half of which has been earmarked for the continent.

The continental disco business has particular attractions for UK operators. "The demographics over the next decade will be very similar to those in the UK," points out Mecca's Tate. "This means that while there will be fewer young people, they will have more leisure time and disposable income."

But what makes this sector even more appealing is the lack of any organised indige-

nous competition. "While the UK market is undoubtedly fragmented - even Mecca only has about a 12 per cent share - there are no native operators on the continent approaching anything like that level of penetration," says Tate. "There aren't any chains at all."

Yet the key question for UK leisure groups is whether the British approach to mass-market leisure operations will translate to the continent. "In principle, I don't see why it shouldn't work in some countries at least," believes Kieron Culligan, a senior leisure analyst with the Henley Centre for Forecasting.

In the packaged holiday market, for example, "there are close similarities between the British and the West German holidaymaker in what they want from a package," he explains. "Yet the French are not interested in taking package deals. What is clear is that British companies will have to pick both the countries and sectors very carefully if they are to succeed. I think they need to adopt a gradualist approach rather than moving too fast."

Tate, is cautious about whether branded leisure operations will successfully translate across pan-European borders. "I have ultimate confidence in the effectiveness of branding," he says, quoting the example of the McDonald's hamburger chain. "But it is something we will have to consider very, very carefully."

Mecca already has one strong brand in its Hard Rock chain of burger restaurants which it acquired with its takeover of Pleasureland in the late 1980s. Although Tate refuses to be drawn on Mecca's plans for Hard Rock, it has already proved successful in Stockholm and Tokyo and most leisure analysts see it as a strong enough brand to be developed across the continent by Mecca.

However, while British leisure operators are eyeing the continent, the traffic has not been all one way. The Dutch holiday camp operation Center Parcs, for example, has successfully been introduced into the UK in Nottinghamshire and Norfolk. Its very success prompted Scottish and Newcastle, the UK brewer, to take a controlling stake last year.

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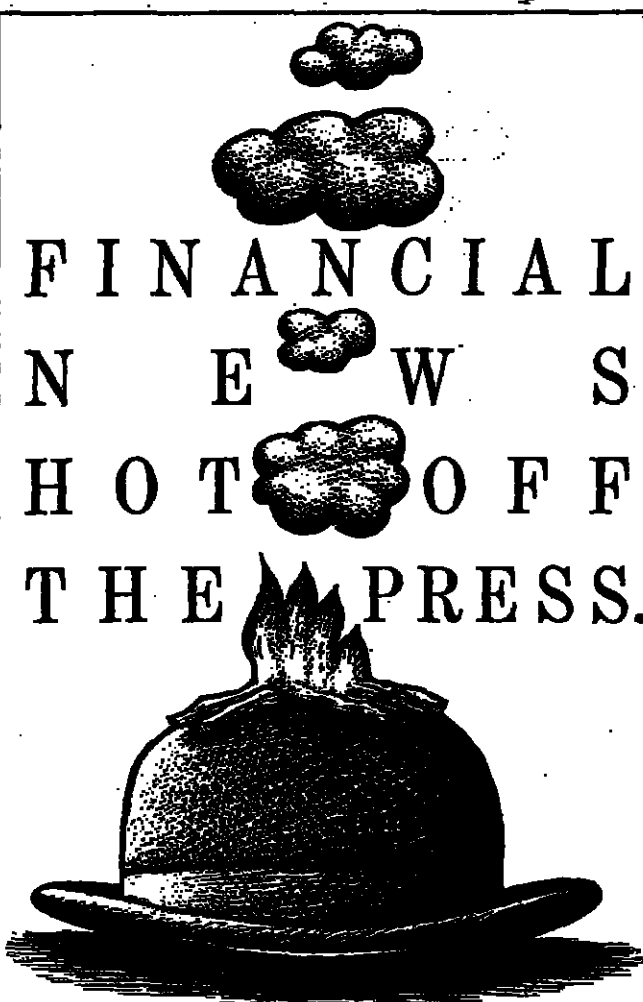
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ARTS

CINEMA

Growing pains

Long before we start worrying about growing old, we have to confront simply not being young any more. In professional or cultural circles, where confidence and achievement come with maturity, this may be easier to face, but in the society that reflects a large chunk of American aspirations — the society of *When I Fall in Love* — youth and the attainment of youth, appear to be everything. The football star, the beauty queen — what happens to them when the waist thickens even slightly, or the pace slows down a little, or the hair turns grey? They are 30, and it is with bawls Gavin and Babs (Dennis Quaid and Jessica Lange), the central characters whose popularity and ideals of personal excellence are based on their physical perfection.

The release of this film in England has been delayed for two years; apparently it did not do well in America, possibly, but unfairly, because it coincided with a run of sports movies there. While Gavin's sense of identity rests on his success as a professional footballer, the game itself is peripheral to the much more serious subject of what happens to him when age starts to undermine his performance. When he flounders into a youthful retirement, no longer a hero and incapable of reinventing himself, his wife Babs has to find the maturity to take control of their lives.

Spectacular scenes of the storybook college sweethearts confidently accepting the adoration of a stadium full of admirers, evolve into their realisation that they cannot live other people's dreams for them, and that their appeal is completely superficial. In a scene in which a friend tries to remind him of an early football triumph Gavin says impatiently, "I don't live in the past," but the past is all he has.

Dennis Quaid is physically right as the active, charismatic footballer, but it is his actor's sensitivity to Gavin's baffling combination of integrity and immaturity that make his performance so convincing. And Jessica Lange as the southern belle learning to get tough, makes a virtue of her quieter role when she finds

WHEN I FALL IN LOVE
Taylor Hackford

SUMMER VACATION
1999
Shunsuke Kaneko

THAT SUMMER OF WHITE ROSES
Rajko Grlic

THE REVOLVING DOORS
Francis Mankiewicz

LENINGRAD COWBOYS TO AMERICA
Ari Kaurismäki

Babs' superior emotional strength. Director Taylor Hackford (*An Officer and a Gentleman*) may take too leisurely a pace, but he has made a touching and valid film. Pulling vulnerable truth out of a film posing as a blockbuster cannot be easy. And for the baby boom generation this film is surely ahead of the news that none of us is really grown up much before we reach 40 must be strangely comforting.

The problems of growing up that occur in *Summer Vacation 1999* concern a different generation. Set in an imposing boarding school, this subtitled Japanese film deals with the conflict of three early adolescent schoolboys alone in the building during the school holidays. One of their friends has recently committed suicide, and the sudden appearance of a new boy, the double of their dead companion, is deeply disturbing.

Though it has the elements of a thriller the film treats the story in a surreal way. The boys wander the cavernous school and rustic grounds, obsessed with the mystery of the strange new boy, and the larger mystery of life. "I want to know what it is without hurting his beauty," says one boy of a crushed butterfly. Killing your own childhood without destroying it is a challenge too. By casting girls in the boys' roles director Shunsuke Kaneko has deliberately disposed of the

last hint of unwanted earthiness, but the risks he has taken to achieve an elliptical, spiritual film bring him dangerously close to lifelessness and pretension.

Summer is less than idyllic in occupied Yugoslavia too. In 1945, even the flowers in *That Summer of White Roses* represent not real romance but the dreaded attentions of the resident German colonel, to some unfortunate local girl. The inhabitants of a small lakeside resort base their lives around the water, and put their energies into helping the fugitive Andrija (Tom Goad) conceal his identity. Had the film been left to the Yugoslavs this wartime melodrama might have yielded some more interesting scenes: whether each of our lives has a specific purpose, or the possibility of a god who is as elemental and encompassing as water. But this largely gets lost in the incompatibility of the mixed Yugoslav and British cast. The intrusion of English regional accents, Tom Goad's distracting attempts at Eastern European body language, and if he had escaped from a Fiat de Beaulieu commercial — and Susan George's country house version of a refugee, "I'm so sorry, we have to leave now," she announces as if she is fleeing a boring dinner party instead of the Nazis, is disastrous.

When no one is talking the film occasionally captures the atmosphere of enigmatic calm that water can inspire. But those qualities have not rubbed off on the character, who seems to be waving and drowning at the same time.

While *White Roses* might have done well to compose itself and trust its looks a bit more, *The Revolving Doors* relies vainly on its pretty period costumes to conceal the fact that it has nothing to say. This subtitled French Canadian saga of a young pianist who abandons her baby in search of adventure, then tries to win his sympathy in her old age, is told with as much satisfying detail as a telegram. Switching between past and present such large pieces of the action have been mislaid but just what she



Scene from Kaneko's 'Summer Vacation 1999'

achieved that justified leaving her son remains a mystery.

But brevity can be a virtue, as Ari Kaurismäki demonstrates in *Leningrad Cowboys Go America*. This Finnish director's first English language film is a whistlestop road movie recording the adventures of a Finnish band that has never heard of rock and roll — a group of improbably quipped Elvis lookalikes who rapidly adapt to whatever musical style is required. It is obvious that Kaurismäki has seen the Blues Brothers, but he neither parodies the music or satirises America. Instead he takes the country as he finds it as his heroes hurtle from New York to Mexico in a series of beaten up cars, singing in bars, getting arrested, and speeding on by delightfully dry captions: They Beat Him Badly; Alone In The Desert; Why? The economy of the direction is most eloquent in the account of the band's week in jail, a subtly changing single shot that neatly summarises their shifting emotions.

Leningrad Cowboys Go America has a unique, amiable, almost stolid humour, and Kaurismäki's talent will be confirmed next week when his earlier subtitled film *Hämäläiset Goes Business* opens at the Everyman. This updated, big business version of *Hamlet*, though much more structured and plot-laden, is treated with the same economy. Leaving very little out he still manages to rumple through the story in an astonishing 86 minutes, treating the drama with a mixture of respect and hilarity in which the State of Denmark becomes a shipping company about to be sold off in favour of producing rubber ducks. Shot in black and white with more characteristic captions (Body in Street, Head in Sea, Investigation; He Becomes Melancholy) it is another taciturn joy.

Apparently Kaurismäki is to make an *Elvis*-style thriller in London this year.

Ann Totterdell

La forza del destino

THEATRE ROYAL, GLASGOW

There is so much to say about this production it is difficult to know where to start. *La forza del destino* is not one of those pieces by Verdi that plays itself, but Scottish Opera has shown here that if a company is really determined to meet its challenge, the opera can shake heart and mind to the innermost depths.

The work was originally written for St Petersburg in 1862. At that time it was conceived in a cruder form than the one we know today, as Verdi later fought shy of the opera's most violent elements. But in hindsight it is possible to see in this raw, unrevised tale of aristocrats doomed to suffer and a populace either starving or torn apart by war, a tragedy on a truly Russian scale: an Italian *Boris Godunov* that merits attention on its own account.

In essence it is that early *Forza del destino*, the more grim and hopeless, that Scottish Opera has given us here. The major scenes that Verdi replaced have all been reinstated, though the company has compromised by leaving in his smaller improvements. To that extent it could be argued that they have given us a version that is neither one thing nor the other, but that will almost certainly seem academic to an audience faced with a performance that blazes with theatrical conviction.

If it is aware of the choice of version had already imposed its own slant on the production, Eljiah Moshinsky has wisely allowed the opera to tell its own story. My notebook could yield quite a few minor quibbles: to name one example, Leonora opens the third act by rushing straight into Michael Yeargan's monumental stone monastery, when the music and the text, not to mention the character's specific predicament, make it clear that she remains outside.

What matters, though, is the grand sweep of a whole dramatic action, in the central war tableau, cleverly represented as a battlefield hospital in which the wounded are laid out before us, the massed forces are superbly marshalled,



Andrea Gruber

while individual performances seethe with passion. Moshinsky has clearly worked at length with his principals, which is a well, since at least two of them are worth every minute that he could have spent with them.

When you hear a new voice for the first time in a strange theatre, the wise move is to be cautious. But caution is the last emotion one feels on encountering the soprano Andrea Gruber, whose Leonora in Glasgow is remarkably one of her first major engagements. Not only did she sing the role with a marvellous freedom and generosity of tone, she also gave a complete physical performance, opening Leonora's inner collapse vividly to view: a portrayal by the end of thrilling intensity.

To have two finds of that quality on the same evening is a coincidence of which even the convoluted plot of *La forza del destino* would be proud. Yet the Don Carlo of Vladimir Chernov was no less impressive: a magnetic presence, vengeance personified, always sturdy and vibrant vocally, despite this version taking "Uma Fatale" up a semitone. Even if neither of these singers goes on to fulfil their enormous promise, I count myself fortunate to have heard them here.

Admittedly, not all the cast were so successful. The Don Alvaro, Stefano Algieri, produces some visceral sound, but this mean prince often seems

to be singing in some ancient Peruvian language. There is a mellow, not very authoritative Padre Guardiano from Alexander Morosov. Among the comic parts Nicholas Folwell, with puffy nose and bawdy legs, works hard to make a character out of Melitone and Della Jones is a splendidly earthy Preziosilla, who flunks none of her top notes.

They must all have benefited from the considerate hand extended to them from the pit by John Mancori. His way with the score admits many subtleties that it is not always privileged to receive and for that reason it may seem ungenerous to recall the uncomplicated Verdian energy with which other conductors such as Mitropoulos and Muti have driven the opera along. There was a wildness missing, on which this version in particular should thrive.

At the end we do not get the customary trio. Instead Don Alvaro completes a tripartite scene of blood-letting in committing suicide: by throwing himself from a rock in Verdi's stage directions, by shooting himself in the Moshinsky production. When one sees it on stage, it is clear at last how integral this conclusion is to the unrelenting chain of events that have gone before. For the wretched characters of *La forza del destino* there can be no redemption.

Richard Fairman

Ondine

PURCELL ROOM

Ondine is not only an enterprising ensemble but a good one, if perhaps a little too even-handed. On Tuesday I missed some signs of strongly focused character, even where the music wanted that; and yet the Ondine playing was devotedly musical, much more than competent. Perhaps the sense of modest reserve was only the result of their choosing an all-American programme; by and large, British chamber-playing is not geared to bold, hard-edged effects, and American music that wants them sharply defined is liable to be fobbed off with *chiaroscuro*.

Not surprisingly, the best Ondine performance was of Charles Ives' 1905 piano trio, in which lusty reminiscences of Yale are set against stately neo-Baroque constructions and Ives' own "impressionism." It is a rich and startling piece, and though it would gain from a still higher profile of contrasts, the Ondine version was decently telling. So too Samuel Barber's wind quintet *Summer Music*, delivered with an amiable grace that fell just a bit short of the infectious *al fresco* air needed to buoy it up.

Granted, some pennywhistle forte at the top, Marianne Ehrhardt's solo flute lent much feeling to young Augusta Read Thomas's new *Aria*. Miss Thomas is a precocious professional of wide-

range — competence, which may explain the eclectic range of gestures and devices in her *Aria*; but the solo lyrical impulse is consistent, even when derivative, and the moments of Italianate glory assigned to the accompanying quartet — in line with the title — are beautifully imagined. I had doubts only about her piano-doublings in florid passages, which sounded less like witty madcap or evenish mechanical emphasis. Had the other instruments not been tuned slightly sharp of the piano, one might not have noticed.

The special attraction of the programme was the "early" *Ceremony of Innocence* by Michael Torke, who is now going on 25 but composed it when he was 22. In detail it is characteristic as could be, pursuing a variety of bright musical ideas spelt out in as many manners as their sources: jazz, pop, minimalist, academic construction, all embracing a lively individual personality. Nowadays, however, Torke builds longer and tauter lines than in the short-breathed, cautiously sectional *Ceremony* — and Ondine rendered its saving flashes of colour rather tamely, as if the overall structure were more significant: which it isn't.

David Murray

Alessandra Marc

WIGMORE HALL

Alessandra Marc's recital on Tuesday was the occasion of her London debut — an important one in many ways. She is a young American of statuesque build and old-fashioned prima donna presence; she is also the possessor of a soprano voice of limitless potential — old-fashioned, one might also say, in its amplitude, in its ever-growing richness in rising phrases, in its ability to pour out in an unbroken flow of glowing sound. As her appearance in *Giordano's La cenerentola* caused local outbreaks of ecstasy, in her native land recent debuts (as *Aida*) at San Francisco and the New York Met have attracted Media Attention. In London the chosen location was a hall a good few sizes too small for Miss Marc's sumptuous tones, and the chosen format — a recital of songs by Brahms, Berlioz and Strauss, interspersed with arias by Beethoven and Wagner and operetta numbers by Suppé and Lehár (and eloquently underpinned by Roger Vignoles as pianist).

It was, by a large, one-and-a-half hours of dulceness, interspersed with flashes of utterly gorgeous vocalism that rendered the rest even more frustrating by contrast. Miss Marc is an infinitely promising artist, by no means a finished one. Her voice is in its element

while unfolding the cantabile of Beethoven's "Ah perfide!" in generally unsatisfying one. She is a young American of statuesque build and old-fashioned prima donna presence; she is also the possessor of a soprano voice of limitless potential — old-fashioned, one might also say, in its amplitude, in its ever-growing richness in rising phrases, in its ability to pour out in an unbroken flow of glowing sound.

On this showing, she is not at all a word-sensitive singer. If the future of Strauss's "Morgen" depended on being taken down in dictation from this singer's lips the text would surely be lost forever, since on Tuesday most of it was pulped into consonant-less mush. It was probably this apparent indifference to verbal accent and shading that cast an air of sameness on so much of the programme. The pulse quickened slightly in the operetta items, and there was certainly no *soubrette* mess about in "Médée Lippén, sie küssen so heiss" — but even here there was so much more to be expected from a voice of such quality.

Miss Marc is worth being severe to: she must be allowed to grow and mature, well out of the limelight. The last thing the opera world needs is yet another trumped-up, but incompletely developed, operatic Superstar.

Max Loppert

ARTS GUIDE

EXHIBITIONS

London

The Royal Academy, Francis Hals — the great retrospective, already shown in Washington and due to go on to Houston, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten after his death in 1681, and it remains an enigmatic and controversial figure. The Royal Academy, Inigo Jones: Architect — a full study and exquisite show of the late master's drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Jones was architect to James I and Charles I, and Greenwich Hospital, St Paul's in Covent Garden and the Banqueting House in Whitehall remain to us as his masterpieces. Daily until February 25, except Bank Holidays.

Paris

The Louvre. The landscape in Europe from the 18th to the 19th century. The exhibition of some 150 drawings by Rubens, Brueghel, Poussin, Rembrandt and others traces the development of two different conceptions of landscape: the one a representation of the scientific treatment of perspective favoured in Italy and the more atmospheric one prevalent in the northern countries. Pavillon de Flore, Closed Tues, ends April 23 (0035151). Institut du Monde Arabe, Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the

middle-empire, continues with a golden crown of a high priest of Setite with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fossés-Saint-Jacques, Closed Tues, ends March 18 (0018358).

Brussels

38th Belgian Antiques Fair. European Antiques. Opens Monday, ends Feb 25. Archives Générales du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends St March.

Rome

Villa Medici and Palazzo degli Uffizi. A homage to Andre Masson: over 350 works by the French surrealist spread inconspicuously over two sites, connected by a half-hourly bus. Ends Feb 15.

Galleria Nazionale d'Arte Moderna, Jean Dubuffet. Immensely enjoyable exhibition which includes drawings, paintings and sculpture from the Twenties up to the last works of the early Eighties, with salient and illuminating quotations from Dubuffet's writings. Ends Feb 25.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1928-1983, the larger of which are seen to excellent effect in the courtyard of the 15th century castle, while

the smaller bronzes, preparatory studies and drawings are shown inside, in the halls of Sala Visconti. Ends March 25. Palazzo Reale, Fernand Leger retrospective: includes over 150 bronzes, paintings, watercolours as well as book illustrations. Ends Feb 18.

Madrid

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1956 and 1983. The exhibition focuses on four themes: Ladies, Crucifixions, Goya's dogs and Murillas. Ends March 15. Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.

Fundación Juan March. Juan Woodner collection of works by Odilon Redon. A very complete exhibition consisting of some 100 works in various media, illustrating the different aspects of the French symbolist painter's work. Ends April 1.

Museo del Prado. Following the highly successful Velazquez exhibition at the Metropolitan, the Prado is now host to the largest show to date of works by the great 17th century artist. Fifty of the 80 paintings at the exhibition belong to the Prado, the rest have been borrowed from various collections around the world, and in some cases are being shown in Spain for the first time. Ends March 15.

Barcelona

Palau de la Virreina. Marat Oppenheim (1823-1883). Retro-

spective exhibition. Some 130 works by the German surrealist artist including paintings, sculptures, drawings, objects, collages. Ends March 25.

Frankfurt

Schirn Kunsthalle, Am Römerberg 6. The Surrealist. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

Bremen

Kunsthalle, am wall 207. Gottfried Graubner: Painting on paper. 130 watercolours, gouaches and pictures with a mixture of technique by the 69-year-old artist are exhibited until Feb 18.

Hamburg

Kunsthalle Glockengießerwall. Ian Hamilton Finlay with works from the French Revolution. Ten of the Scottish painter's projects including reliefs and 40 graphic works are on show until Feb 23.

Hanover

Kestner-Gesellschaft, Wurmbochenstrasse 15. A retrospective of the Spanish painter Joan Miró (1893-1983), with around 120 works on loan from Spain. Ends Feb 15.

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works

from 70 private and public collections. After the Klee and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff's work, between 1910 and 1976, was strongly attacked during the Nazi years.

Vienna

The Kunsthistorisches Institut to the Museum, a vast collection of artifacts, documents and objects from Leipzig, on display for the first time. The collection, ranging over four millennia, contains treasures from Ancient Egypt, Greece and Rome. The exhibition also contains European painting from the middle ages to the 19th century, including works by Caspar David Friedrich. Ends Feb 18.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and libretti, letters and memorabilia, is the centrepiece of this exhibit, the most comprehensive ever mounted on the Victorian operetta masters with more than 400 items on view. Ends Feb 18. New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Washington

National Gallery. Highlighting this decade's renewed interest

Show Boat

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

There is something endearing about "serious" music buff descending from their ivory tower to the mired marketplace of the commercial, and swooning over sleekly-tailored professionalism and the odd good tune. Last December's reception by a predominantly opera-going press and public of the joint RSC/Opera North co-production of Jerome Kern's old tearjerker at Leeds would have seemed effusive applied to *Tristan* or *Figaro*. And the General Administrator, no less of Opera North declares the show "a masterpiece". There are few works in the 400-year history of opera that one would unhesitatingly term a masterpiece. *Show Boat* is not one of them.

Racer is it a Broadway blockbuster by Edwardian musical comedy out of *mitteleuropäischer* operetta. In this score at least Kern's peers are Sigmund Romberg and Rudolf Friml. He never looks ahead to Rodgers or Porter; and rarely sideways to Gershwin. There are a few good tunes, arguably a couple of great ones, some cross ("You Are Loved" would not have passed muster in *The Desert Song*); and much padding, repetition and background mood music which,

with respect to my musical colleagues, makes the piece no more a *melodrama* or *opera* *manqué* than the average film with a background soundtrack.

A soap-opera before its time, the story — which Oscar Hammerstein from Edna Ferber's novel — covers 40 years; and manages the not inconsiderable feat of mashing racial bigotry, miscegenation, show biz, failed marriage, poverty, alcoholism (just a smidgen) and final reunion into the blandest of soap.

For a work dominated by Ole Man River, Russell Craig's claustrophobic set allows us surprisingly little of nature. It is not the work's fault that it reeks of cliché — Mississippi gambler, bright young southerner, corrupt, shifty-eyed ingenué — who effortlessly becomes an actress at short notice; it is the fault of Ian Judge's production that no life is breathed into them.

Much of the spoken dialogue is indistinct which hardly helps the evening which includes such padding as a before-curtain spot for Trevor Peacock's Cap'n Andy and the later, film-inspired duet "I Still Suits Me." One is all too aware that for all its ostensibly exciting story line, the show is a

disconnected series of numbers, not springing from the plot but dropped in. The classic example is "Bill," an admitted "show" song within the show. Here it would be ungrateful to complain of Kern's insidiously simple melody to P. G. Wodehouse's words — especially as put over by Fiona Kimm.

Other great moments include "Can't Help Lovin' dat Man," not quite as exhilarating as in the recent recording but a good reminder that it's initially a defiantly up-beat assertion, not a droopy torch-song. Cast changes bring Joe Garcia as a young, personable Joe who as yet lacks the weight of voice and person for the ideal rumble of "Ole Man River" (though he manages the last act reprise with great authority).

Pruned from its announced duration by 20 minutes, the show leaves unanswered the question of why it was thought worth doing at all. Opera North and the RSC, it may of course please a well-fed and well-heeled audience that demands a token dash of comfortable times as much now as it did 1927.

Martin Hoyle

Arts Council to the rescue

The Arts Council has dipped deeply into its contingency fund in order to bail out the English National Ballet and the English National Opera. Both companies faced severe financial problems following the decision of Westminster City Council to cut its grants to them, which had both exceeded £1m, by 90 per cent for 1990-91.

The Arts Council will make good this sum of just over £2m, and add more to cover inflation, at the expense of a huge dent in its emergency fund of £2.6m. It tried hard to persuade Westminster to continue its support but pleading poverty from the changes in the business mts, and the Poll Tax, the City Council refused. It had increased its aid to make good the funding of the abolished GLC, but has now reduced it to below its traditional level. Its excuse is that the two companies serve a national audience rather than the borough's citizens.

Peter Pahlumbo, chairman of the Arts Council, had to move swiftly because the ENB in particular was under crippling pressure from both sponsors and creditors. In the last few weeks the company has lost the services of both its artistic director, Peter Schaufuss, and its general administrator, Richard Jarman. The withdrawal of most of Westminster's funding put its future in jeopardy.

There was more good news for ENB yesterday. The Arts

Council announced that its basic grant to the company for 1990-91 would be raised by an impressive 12 per cent to £1,540,000. The ENB said that it was putting up £50,000 to sponsor its 40th anniversary gala which the ENB is holding at the Royal Albert Hall on March 27.

The future of ENO was never in doubt but if Westminster's money had not been made up it would have been forced to cancel many new productions next season. It was always on the cards that the Arts Council would come to the aid of two major companies who faced financial problems quite outside their control; but it does mean that it has limited resources for any more rescue acts.

Another fillip to the London dance scene came yesterday with the news that London Ballet Theatre has taken an option on a site in Westminster Bridge Road. This would form the basis of London's first specialist dance house, to be operated by the management company Hetherington Seelig. Two other organisations are seeking accommodation for dance — Sadler's Wells is eyeing the adjacent site which may come available if Thames Water moves out of its Islington HQ and the Entertainment Corporation, which tried to build on the South Bank, is still looking.

Antony Thornecroft

FINANCIAL TIMES

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Thursday February 15 1990

Arithmetic of German unity

IT IS no longer "if", hardly even "when". Although there is still a month to go before Germany's first free elections, everyone now takes it for granted that they will produce a government willing to negotiate unification. The internal aspects will be negotiated between the two German states. For the external aspects, including those that affect the security of neighbouring states, they will be joined by the Four Powers — which defeated and occupied Germany at the end of the Second World War, and which remain legally sovereign in Berlin as well as retaining, in the absence of a peace treaty, some residual responsibilities for Germany as a whole.

Public opinion

German public opinion has been understandably sensitive to any hint that the Four Powers might presume to settle the destiny of Germany among themselves. But West German political leaders have also recognised that German unity "does not concern Germans alone", and have evidently come to the conclusion that the Four Powers constitute a convenient representation of those others whom it does concern, and therefore a suitable negotiating partner once they accept the principle of unity — as all four now do.

Only one country is audibly unhappy, or at least uneasy,

about this procedure. The Polish prime minister, Mr Mazowiecki, said in London yesterday that Poland wants "to be present wherever the security of Germany's neighbours will be discussed". "Our security matters," he added, "cannot be settled by proxy for us." Clearly he will not be content to be one of 35 heads of government to whom the agreement negotiated by the "two plus four" is presented for rubber-stamping in the autumn.

Uncertainties

His concern is understandable, and Poland's special interest should be recognised, given the abiding legal and political uncertainties about the Polish-German frontier — although there is no reason to think that this issue will be a sticking-point in negotiations, since both German states accept that the frontier should stay where it is. Mr Genscher reaffirmed on Tuesday that "unity" concerns only the present territory of the two states plus Berlin.

The main international issue that does still have to be resolved is the alignment of the new German state. The Soviet foreign minister, who last week showed interest in the proposal that it could be part of Nato (so long as Nato forces were not deployed in East Germany), seems this week to have reverted to ruling that out.

He is unlikely to insist on neutrality, which is opposed by the East German state, including all the main West German parties, but also by Poland. He may, however, take up Mr Mazowiecki's suggestion that Germany should be "part of a general European system".

Mr Mazowiecki seemed to envisage this system as compatible with the continued existence of the two allies, since he predicted that both Nato and Warsaw Pact troops will continue to be stationed in different parts of Germany. But the Soviets may be tempted to bid for the support of German public opinion by suggesting that the new system be formed through the dissolution or merger of the alliances.

If so, the "two plus four negotiations" may prove the hardest test to which Nato's solidarity has yet been put.

Clean bill for petrol prices

THE Thatcher Government's decision to refer the petrol retailing activities of the big oil companies to the Monopolies Commission was more an act of political appeasement than the response to abuse.

For historical reasons, petrol prices have been invested with political significance which would seem extremely odd if applied to other staple commodities, even food. One of the reasons is that more than 60 per cent of the price paid by motorists at the pump is tax, so petrol prices often hit the headlines in the annual budget ritual when excise duties are changed.

The fact that taxes represent around 118p per gallon compared with only 2p to 3p of oil companies' net profit inevitably means that any price reductions by the producers are heavily diluted in percentage terms by the time they reach the consumer. Partly for this reason, it has sometimes appeared that petrol prices always ratchet upwards and never fall. But this is an illusion of inflationary times. In the last 20 years, pump prices have remained surprisingly stable in real terms. Indeed, after adjusting for inflation, pump prices are now lower than they were before the first oil crisis in the early 1970s. In the past decade, oil companies have been making low profits on their refining and retailing operations.

Tactless behaviour

Yet some of the larger oil companies have behaved tactlessly. When they all raised pump prices together, and maintained them at the same level (to a fraction of a penny) for several months, the industry became tainted with a strong odour of collusion. The Monopolies Commission's third report on the sector in 26 years published yesterday says that public concern on this score was misplaced. With maybe a few local spillages, the industry has contained the forces of collusion.

A close alignment of prices may just as likely be evidence of an efficient competitive market as of monopoly abuse. The latest report shows emphatically that this is indeed the

case. Although three large companies, Shell, Esso and BP control almost half the UK petrol market, more than 70 different wholesalers supply the pumps and motorists still have a wide choice of retailers including cut-price hypermarkets. These facts were broadly known to the Office of Fair Trading and to the Department of Trade and Industry before the Monopolies Commission started its voyage through the industry's dense archipelago of statistics. So was its journey really necessary?

Calming effect

The main purpose now appears to have been to calm down some over-excited presumptions generated in the media and among MPs in 1988 by the Parliamentary Select Committee on Trade and Industry. This body decided to investigate complaints by independent petrol retailers that the larger oil companies were behaving unfairly to tenants in their branded sites.

None of the parties to that earlier enquiry emerged with great credit. The independent retailers were seen to be grumbling with rather thin evidence, some oil company representatives appeared arrogant and disingenuous. This spurred the MPs on to a chase without thinking carefully about the nature of their quarry. The select committee's report reflected a general presumption of uneasiness without finding sharp evidence to support it.

The Monopolies Commission has now done a good job in presenting the evidence and putting those earlier fears to rest. No harm has been done except the evaporation of a little public money, and perhaps some good: the oil companies, with their long past history of monopolistic behaviour, need to be chastened regularly by the whip-crack of competition policy out for exercise. Perhaps the enquiry will encourage them to be more open about their marketing activities, and particularly about the breakdown between marketing and refining profits which remain too obscured. The lesson for the seven sisters (now six) is that innocence should be unveiled.

The announcement this Tuesday of a commission to establish details of a monetary union for the whole of Germany is obviously intended, as the Bundesbank President Karl Otto Pöhl remarked, "as a preliminary step towards reunification" and also to provide encouragement to residents of the so-called German Democratic Republic to remain on their side of the border.

Such gestures could, however, have taken a variety of forms. That it has taken the currency form is a triumph for currency competition in which Gresham's Law is reversed and good money drives out bad.

The process of good D-Marks driving out bad East German Marks started long before the breaching of the Berlin Wall. For the D-Mark has long existed as an unofficial shadow currency in East Germany. A visitor stepping through Checkpoint Charlie to East Berlin found it impossible to buy a concert ticket or pay a taxi driver in any but the D-Mark, and it was difficult to spend even the small compulsory purchase of East German Marks before re-crossing the Wall.

If that was so with the fierce barriers to the movement of people and money which then existed, what chance of survival did the East German Mark have when freedom of movement arrived? If the two governments had not made their announcement, it could not have been long before East German workers demanded to be paid in D-Marks.

The replacement of a discredited currency by a superior one soon acquires a momentum difficult to stop. The Bundesbank might not like the rushing forward of monetary union. But at least it is now in charge of the process. For it is accepted that not only will the D-Mark currency be the D-Mark (and not any kind of merger of the two Marks) but that the Bundesbank will be the supreme German monetary authority. If the right conditions are met, even cautious experts think currency conversion could be almost complete by the end of the year.

Until recently the orthodox view was that a single currency could only come as part of a phased plan involving economic reform in East Germany, including the removal of subsidies and special taxes which distort the price structure. In fact, the two kinds of reform are inseparable. For attempts at structural change in communist countries have been undermined again and again by the role of the state central bank in providing unlimited finance for the "soft budgets" of both governments and state enterprises.

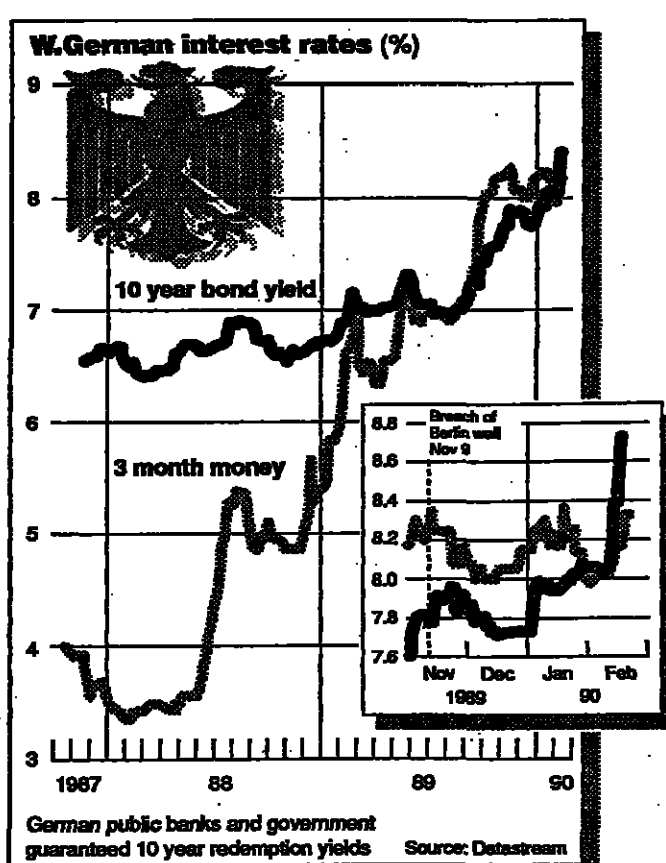
Even more important than the choice of the currency for conversion is the need for the Bundesbank to obtain control of the banking process in East Germany so that it is not called upon to create Marks to finance public and corporate deficits.

Mr Pöhl has emphasised the need for key West German banking legislation and institutions to apply in East Germany. An indication of the scale of the problem is that West German officials have not so far been able to work out even a rough estimate of the

ECONOMIC VIEWPOINT

Politics of the Mark

By Samuel Brittan



German public banks and government guaranteed 10 year redemption yields Source: Datastream

The replacement of a discredited currency by a superior one soon acquires a momentum which is difficult to stop

workers. If they are too high — too near West German levels — they will be priced out of jobs and mass unemployment will ensue. Real wages need to remain lower than in the West if the region is to remain attractive to investors. Even if the conversion ratio is right at the macro level, many East German enterprises will have to close down under competitive conditions.

On the other hand if real wages are too low the two German governments will have failed in what is now their prime objective: staunching the migration drain to the West, running at 2,000 per day, equivalent to 4 per cent of the East German population per annum, and a much higher proportion of the active and well-trained. It is taken for

minimum size deposits frozen for a period or with some restriction on realisation.

Meanwhile the rise in German equities and the fall in bond prices is a reasonable, if exaggerated, reaction to improved growth prospects and higher inflation risks resulting from unification prospects. Mr Pöhl has remarked that the whole of East Germany has the same economic size as the single West German province of Hesse. But others add that it is as if Hesse had been hit by an earthquake. I have even jokingly been told that Britain had better join the EMS quickly so that sterling could provide an anchor for the system.

Nevertheless the Bundesbank genuinely believes that the present underlying annual inflation rate of 2½ per cent need not rise to more than about 3 per cent. Estimates by Mr Gerry Holtham of Shearson Lehman Hutton support the Bundesbank by suggesting that the whole of the East German money supply, including savings deposits, is worth no more than 7½ per cent of the West German one if converted at the rate of two for one.

Both growth opportunities and the inflation risks come much more from economic unification than currency union. There will be an increase in the German growth rate due to the catch-up factor in the East — akin to the post-war catch-up with the US from which the whole of western Europe benefited.

The need to re-equip East Germany will act like any other force boosting investment relative to domestic saving. Part of the strain will be taken by a reduction in the West German current balance of payments surplus (now amounting to DM 155bn or just under \$50bn per annum) which will free resources for investment in the East. It will also relieve the anxieties of those who worry about international payments imbalances.

A large burden is, however, likely to be put on the West German budget. On some estimates the West German deficit — which came from 1½ to 4 per cent of GNP over the last few years despite arms cuts in both parts of Germany — seems a larger problem. But not even the Bundesbank is urging tax increases.

The scale of both public spending and private investment required to renovate the East German economy is enormous. The German economy is being put under pressure on interest rates — not only in West Germany, but in the European Community and the industrial world as a whole.

German monetary union is likely to have mixed effects on the wider project for European monetary union. A successful monetary union would put the purchasing power exchange rate at about two-for-one.

The 2:40 ratio just agreed for the latest batch of official credits is as good a guess as one can make of the ultimate conversion ratio. Because of fears of the inflationary overhang, East German owners of savings deposits will not obtain so much if they insist on immediate encashment rights. They are likely, however, to be given the option of conversion at the standard rate if they accept for sums above a

BOOK REVIEW

Facing an identity crisis

There is something surreal about the General Agreement on Tariffs and Trade. After more than 40 years of policing world trade from its sombre grey headquarters overlooking Lake Geneva, it still does not officially exist as an organisation.

In contrast to its sister institutions, the International Monetary Fund and the World Bank, Gatt is an orphan. Its supposed parent, the International Trade Organisation, died soon after the Second World War because the US Congress refused to ratify its creation.

Gatt was pushed forward to fill the gap, but it is, as its name implies, an agreement and not an institution. It has no members, only what are quaintly termed "contracting parties." Worse still, it is an agreement still being applied provisionally.

All this is very irksome to Mr John Jackson, a law professor at the University of Michigan and a noted expert on the Gatt. The central thesis of this short work is that the time has come to give the international trading system a real constitution of its own.

This may sound like a legalistic quibble. Yet experience shows that the law is important to international trade relations. World trade, which is approaching \$3,000bn a year, is important to the economy of nearly every country. What lawyers have to say about the Gatt is often as worthy of attention as the pronouncements of those in the field of economics.

There are a number of forces at work, Mr Jackson argues, that could stretch beyond endurance the fragile legal fabric that binds the Gatt system. Among them are the obvious is the prospective rush of membership — or more aptly contracting partyship — applications from the non-market economies of eastern Europe. There is also the ambitious agenda of the current Uruguay Round of multilateral trade liberalisation talks. Both, in different ways, risk fragmenting the Gatt system.

Mr Jackson argues that it will be impossible to accept non-market economies into the system without introducing special rules that will undermine Gatt's sacred principle of non-discrimination. The essence of non-market economies is that their pricing structure is artificial. That means Gatt rules on dumping and subsidies cannot apply.

So far, only a handful of state trading countries belong to Gatt and this problem has been fudged. With the application of China, and prospectively that of the Soviet Union, however, the balance is changing. Gatt cannot go on fudging without putting its free market purity at risk. It cannot be assumed in either country's case that admission to Gatt would be withheld until a free market is fully in place.

This is a welcome book. It should be studied by all who have the best interests of the multilateral trading system at heart.

RESTRUCTURING THE GATT SYSTEM
By John Jackson
Royal Institute of International Affairs/Pinter Publishers, £7.95

The Uruguay Round, meanwhile, is seeking to extend Gatt's authority to trade in services and the protection of intellectual property rights. But here again special rules will have to apply.

To sell its services abroad, a business must normally establish itself inside its chosen foreign market. There it will be subject to the same local regulations as its indigenous competition. Services traded thus cannot be dumped in foreign markets as if they were tomato paste. Yet Gatt is designed precisely to deal with products like tomato paste. It will need a separate body of rules for services and intellectual property.

Already, Mr Jackson argues, the codes agreed during the previous Tokyo Round to cover areas such as public procurement and trade in civil aircraft have tended to fragment the Gatt. They use different procedures for dispute settlement and are subscribed to by differing countries.

The choice is between a lax but universal Gatt embracing every nation and every form of trade, or more limited membership and more limited membership. With its inadequate legal constitution Gatt is drifting rudderless between these two extremes on a swelling tide of rising membership and expanding duties.

Mr Jackson insists that the Gatt system cannot lose sight of its universal objective. The world needs it to provide an interface between different systems, not just between the capitalist West and the non-market economies, but sometimes also between developed countries whose social systems differ, like the US and Japan.

The solution he suggests is the creation of a new umbrella institution with a few basic rules to which all could adhere. These would include obligations to consult, not to harm others and to abide by dispute panel decisions. Under it would come the Gatt and all its related parts whose membership would not necessarily be universal. The new organisation would take central control of some functions such as dispute settlement and trade policy surveillance.

The idea that such an organisation could be created in the Uruguay Round is "improbable," Mr Jackson admits. Yet his proposal is still worth considering because of the way in which it teases out the deficiencies of the current haphazard system.

This is a welcome book. It should be studied by all who have the best interests of the multilateral trading system at heart.

Peter Montagnon

Treasury to the rescue

■ The National Gallery might have lost Van Gogh's *Sunflowers*, but it has kept Cézanne's *Alles à l'huile*. The Chester Beatty family owned both paintings and wanted them to hang permanently in the National Gallery where they were on loan.

Yet with Capital Transfer and Inheritance taxes to pay, the Chester Beatty executors were seduced by Christie's to sell the *Sunflowers* at auction where it went to a Japanese insurance company in 1987 for £24.3m, a record at the time. The National Gallery tried to arrange a private deal, but the likely price at auction was way beyond its resources and anyway it had another Van Gogh *Sunflowers*.

This time executors and the Treasury agreed a value on the Cézanne which pays off another £2.4m of the family's tax bill. The painting might have made upwards of £5m at auction, but if it had not, there would have been tax to pay on top.

Setting tax bills by selling works of art is a little publicised option open to rich collectors. The Treasury does not advertise it much because it seeks to confine its tax losses through art to £10m a year.

The idea is that the heirs receive a sweetener equaling roughly one quarter of the tax they owe, and a museum or art gallery gets a treasure.

Other deals struck yesterday include a board of Anglo-Saxon coins destined for the Fitzwilliam; a Kirkman harpsichord and a Constable sketch as yet unallocated; and a group of 20 modern pictures going to the gallery at Kew. It is the first time modern art has been used to pay the taxman.

Bild's scoops

■ Bild, the best-selling West German daily which has adopted an increasingly

OBSERVER

nationalist tone since the dismantling of the Berlin Wall, is about to reveal the inside story of the fading Communist regime.

The paper has signed up Egon Krenz, East Berlin's state and party chief for a month and a half before he was ousted in December, to write his reminiscences in a dozen instalments over the next couple of weeks.

Krenz, a buoyant 59-year-old with the looks of an overgrown barrow-boy, has been out of a job since being expelled from the East German Communist party by the reformists now in charge. He can probably do with the handsome fee Bild is providing for the partly ghost-written articles — although it is not clear whether payment will be in D-Marks or East German Marks.

After sitting in the Politburo for six years — where he was latterly responsible for internal security — Krenz can be expected to outline in some detail the lifestyle of Erich Honecker and his followers. He will also have something to say about his role in attempting a palace revolt against Honecker a few years ago. Knowing Bild, it will be colourful and most of it will probably be true.

Meanwhile, the paper is having a go at what it calls Germany's new opponent Margaret Thatcher, no less. It was she who "ordered the City to sell German bonds," according to Bild on Tuesday.

Federation man

■ John Owens is leaving the CBI to become Director-General of the Building Employers Federation. In terms of membership, this is the third biggest employers federation in Britain. The biggest is the National Farmers Union, and the second biggest the CBI. Owens should know. He has



"Did you remember to add the Perrier?"

spent a lot of time working for federations. He was Director General of the Dairy Trade Federation for six years until 1983 when he moved to the CBI where he became Deputy Director General.

The recent work that he takes most pride in is sponsorship. Owens helped the CBI to rebuild its membership base and replenish its resources after the recession of the early 1980s. He then persuaded the members to put up money for the CBI's own campaign: notably the 1992 initiative.

The latter is supported by 10 companies who put up £1m between them so that the CBI can provide an effective information service. A staff of 41 people have so far produced 10 hardback books, and the telephone information service is open daily on 01 836 1982.

This is the CBI's Silver Jubilee Year. One of Owens's last tasks has been to raise £200,000 to sponsor 10 concerts to be given by the European Community Chamber Orchestra in cathedrals throughout Britain in December as a final celebration.

Owens is 57, paints and has

had a role in promoting agricultural art exhibitions. Now perhaps building and art.

Not wanted

■ William Allen, head of the money markets division at the Bank of England, has just been to Poland to explain how to open a money market. The Poles concluded that they do not want to do it yet, but at least say they now know how.

Parachuting

■ Another parachutist has landed in Brussels amid a burst of sniper fire — from his own countrymen. The man in question is Peter Wilnot, who has been picked out from Customs and Excise in London and dropped by the UK Government into the key post of director general (DG) in charge of indirect taxation.

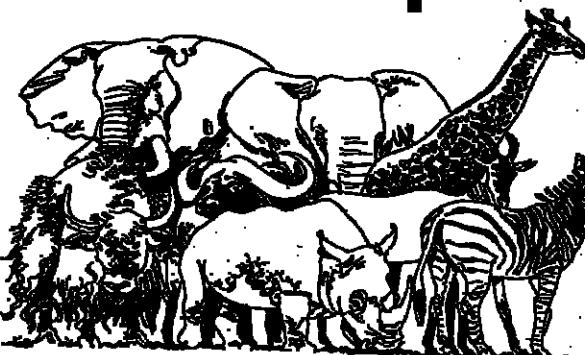
The sniping has come from British Europeans, not out of personal objection to Wilnot (known from an earlier posting to the British delegation in the EC capital), but on the principle that in-house candidates should, for career reasons, get first crack at DG jobs, one rung below that of full competition. In the share-out by nationality of top jobs earlier this year, a Union Jack had been put on the tax post.

The buff of British Europeans' criticism is their own government, which is also angling to parachute a Ministry of Agriculture man into a top EC farm job, and their senior commissioner, Sir Leon Brittan, who pushed his former private secretary at the DTI, John Mogg, for a top industry job. "That's the sort of thing you expect from the Latins, but not from a Brit," said one of the Brits in Brussels.

Mixed up

■ What happened to the dyslexic apostrophe? He lay awake at night wondering if there was a dog.

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VIEW
an
crisis

Leaning away from the new Europe

Alan Friedman, until recently the FT's Milan correspondent, reflects on the past and the promise of Italian industry

Italian capitalism is approaching a crossroads. A series of domestic, corporate and political battles threaten to distract large sectors of the economy from the more pressing challenge of designing and implementing Europe-wide strategies for the 1990s.

Competition from non-Italian companies will have the greatest impact on the banking, car, electronics and other sectors that have traditionally benefited from direct and indirect subsidies and from trade barriers. What makes this prospect difficult for some Italian industrial leaders to accept is that it will be occurring in a nation that has in recent years taken great pride in the economic successes which have made it the fifth biggest industrial power. Italy's growth, urbanisation and industrialisation have been squeezed into the last two or three decades. That has left the country with little time to nurture the kind of institutions that in other advanced economies exist to safeguard the consumer, the investor or the fledgling entrepreneur.

Italians still prize personal power and contacts rather than the development of a meritocracy or a free-market business culture. Close links between industrialists and politicians benefit big conglomerates by offering tax breaks, access to subsidised credit from state banks and other special privileges, traditionally doled out by Mediocredito, the powerful Milan merchant bank.

Italy is a hard-working and prosperous nation of 57m people with an annual gross domestic product of more than \$750bn. But the economy lacks a solid middle stratum of medium-sized industries of the sort known in Germany as the *Mittelstand*. Instead, enormous trading and marketing imbalances are to be found between hundreds of thousands of small family businesses at the bottom and, at the top, four enormous, oligopolistic conglomerates plus three politically vulnerable state holding concerns.

The forthcoming unification of Europe's internal market could serve a useful purpose by shaking up some members of the clubby Italian financial and industrial scene. Unfortunately, the tendency of Italy's Big Four industrial-financial conglomerates - the Agnelli, Gardini, De Benedetti and Berlusconi groups - to lose precious time in fighting with one another for territory is increasing rather than diminishing.

For example, the contest between Berlusconi and De Benedetti for control of Mondadori, the large publishing group, is more than just a corporate struggle. It is also an indirect attempt by the old guard of Italian capitalism, including former Socialist Prime Minister Bettino Craxi and Christian Democrat Premier Giulio Andreotti, to defend Mr De Benedetti. He has proved himself to be too much of an independent entrepreneur, too much of a believer in market democracy, too much of a "usurper" in a culture that is still dominated by a feudal mentality. Mr Berlusconi, a tal-

ented television mogul, is in this instance a willing collaborator of the politicians.

Another example of the resistance to change in Italian capitalism is the way that Mr Raul Gardini's Ferruzzi foods-to-chemicals group has behaved in recent months.

Three years ago, Mr Gardini appeared to be a harbinger of change. He took control of the Montedison chemicals company and then last year formed Enimont, an important chemicals joint venture with the state-owned ENI group. But Mr Gardini found that in order to save off debt problems he needed to conform to the secretive business practices of the establishment. Campaigns for corporate reform in Italy say that this has meant the cause of shareholder democracy has been set back rather than advanced by the Ferruzzi group.

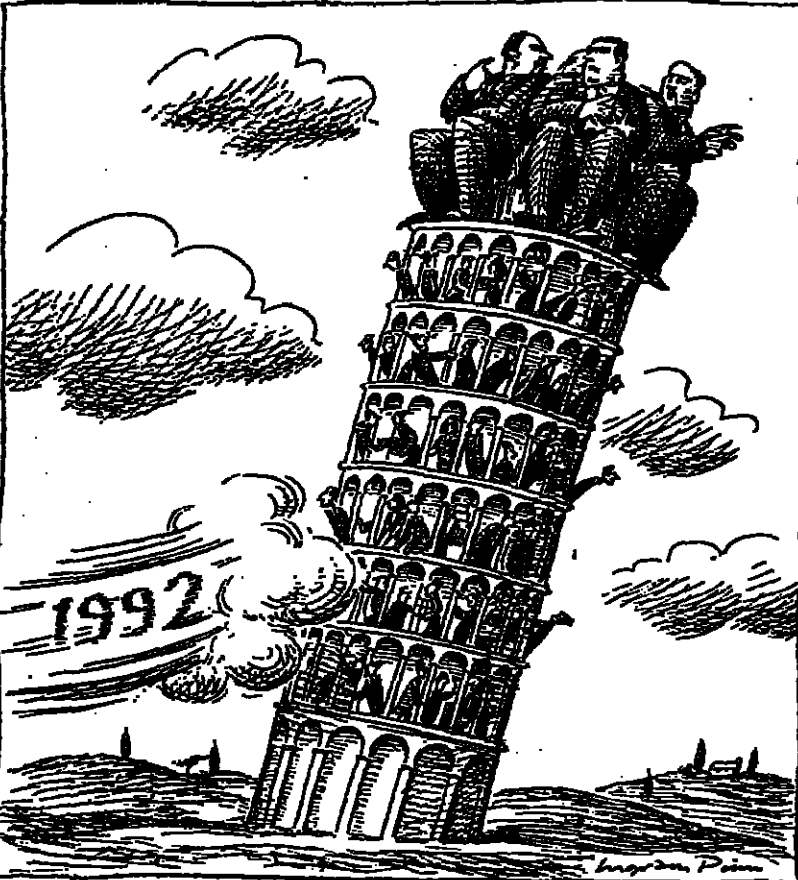
Meanwhile, rather than developing into an internationally minded chemical group, Enimont has become a battleground on which Mr Gardini and the politicians each seek to obtain short-term advantage.

Together with the continuing inability of the Rome government to act on the nation's \$100bn-a-year public sector deficit, these events do not bode well for the future. The dynamism and flair of Italian entrepreneurs is a palpable reality, but so is the incestuous and at times aggressive manner in which politico-corporate power is protected and enlarged.

The Agnelli family's IFI-Fiat group, for example, has for most of the century dominated the Italian economic scene. It is now the single most powerful force in the economy, representing nearly 5 per cent of the nation's annual GDP, a quarter of the capitalisation of the Milan bourse, 60 per cent of the domestic car market, 60 per cent of the three most important newspapers, a workforce of 30,000 and political clout in Rome that would make the most influential Washington lobbyist turn green with envy.

The risk that Italy faces is that its four giant conglomerates, whose strategies are determined by strong-minded individuals rather than a cadre of professional managers, are so wrapped up in domestic, essentially feudal, concerns for power that they did not manage to bring these large holding concerns out of loss and to manage them along more private sector lines.

On the other side of the economic chasm lie the hundreds of thousands of small, industrious businesses. These are the precision engineers, textile and shoe makers, electronics



firms, agricultural concerns and other enterprises which truly sustain the economy. The small entrepreneurs do not enjoy the privileges, tax breaks, access to soft loans and export credits or political clout enjoyed by the giant groups.

The third pillar of the Italian economy is represented by IRI, ENI and EFIM, the bastions of state industry in Rome that are all too frequently subject to manipulation, patronage and commission-taking by Italy's voracious political class. Professors Romano Prodi and Franco Reviglio, who served between 1983 and this autumn as chairman of IRI and ENI, did much to bring these large holding concerns out of loss and to manage them along more private sector lines.

With the return to prominence last year of Prime Minister Giulio Andreotti, the wildest of all Italian old-style Christian Democrat politi-

cians, it is clear that the hand of politics may again interfere in state industry.

Italy still has no anti-trust legislation, no law against insider trading, no Monopolies Commission or Take-over Panel, and no broadcasting authority. Legislation is slowly moving through parliament in each area, but special interests and their relations with politicians are likely to water down the significance of such laws.

The real stimulus for a more competitive and pluralistic form of Italian capitalism will almost certainly come from abroad. The arrival in Milan of foreign financial institutions such as Warburg, Rothschild, Schroders, Morgan Stanley, Goldman Sachs, Nomura and Daiwa will help some Italian entrepreneurs to escape the bear hug of Mediocredito. The importance of injecting more competition into corpo-

rate finance cannot be overstated.

Given the clubby nature of the Milan bourse and Italian high finance there has been a tendency to ride roughshod over the rights of small investors. The fact that one of the first takeover bids which offered minority shareholders the same share price as majority holders (the 1989 bid by Credit Lyonnais for control of Credito Bergamasco, a private bank) came from a French state-owned institution speaks volumes.

The sectors of the Italian economy most likely to face genuine competition in the 1990s are those that have been most protected in the past. When Japanese competitors eventually penetrate the Italian car market - their current market share in Italy is 1 per cent against a European average of 11 per cent - analysts say that Fiat could stand to lose up to 10 per cent of its domestic share. The same is true in other consumer product sectors.

The central bank is encouraging foreign institutions to enter the Italian market, to acquire local branch networks in order to stimulate a more competitive market. Although the recent scandal over \$2bn of improper Iraqi loans by the Atlanta branch of Banca Nazionale del Lavoro (BNL) is more a political and military matter than a financial one, it highlights the inefficiencies, management gaps and inadequate controls also present in other state-controlled institutions.

While state banks may be inefficient, attempts to find a solution by privatising some of them is bogged down in a debate over whether the big industrial groups should be allowed to take control of these institutions. Mr Carlo Azeglio Ciampi, the central bank governor, has been attacked by industrialists when he has pointed out that industrial control of banks might result in a conflict of interest.

The problem is that Italy is not yet a genuine market democracy. The regulatory infrastructure that developed in the Anglo-Saxon world from the 1930s onwards is just being debated in Rome as it approaches the 1990s. This is not to say that the Italian model should be tossed away in favour of a UK or US system. What it does mean is that Italy is likely to lose precious time as it prepares for the post-1992 period, while at the same time undergoing a change in business practices.

Change is coming, and it is inevitable. But those who claim that pressure from European Community directives will force rapid change in Italy are probably ignoring Rome's chronic inability to violate directives and to delay.

The main cause for optimism is the unscientific premise that Italy is capable of quantum change when it is required. Change will come therefore when it becomes clear to the bulk of the Italian industry and finance that the development of a fairer financial market is the best way to unlock the nation's entrepreneurial potential. For the time being, though, the old rules and the old games still apply.

LOMBARD

Wishful thinking about Japan

By Ian Rodger

US AND European manufacturers have been wringing their hands for years over how to keep up with their seemingly indefatigable Japanese competitors. Some wags have been suggesting lately that perhaps they have got the wrong idea. It may be that if they are patient enough, the Japanese will become as indolent as they are.

This heretical notion first emerged last summer when it became clear that a growing number of Japanese engineering graduates were taking jobs with banks and securities houses rather than with manufacturing industry.

Meanwhile, the new enthusiasm in Tokyo financial circles for merger and acquisition (M&A) activity appears to hold out the prospect that top Japanese industrial executives, like their Western counterparts, will soon find themselves more and more entangled in negotiations over takeover proposals, buy-out schemes and the like, with less and less time actually to run their businesses.

Another straw in the wind is the gradual weakening of ties between Japanese companies and their financial backers. The liberalisation of capital markets is putting the squeeze on banks' profit margins, making bank directors question the value of their portfolios of low yielding shares of client companies. As for the companies themselves, most are so flush with cash that they no longer need to cultivate friendly bankers - or listen to their advice.

According to Professor Michael Jensen of the Harvard Business School, this last trend may be a danger signal that Japanese companies are about to catch the same sort of ill-fated acquisition mania that infected US and European companies in the mid 1980s. Prof Jensen makes the observation as a corollary to his main argument in a recent article that leveraged buy-outs are restoring owner and creditor control over the management of US companies. He claims that wide shareholder ownership of US companies has been destructive to corporate development because it cannot force managers to use a company's capital wisely.

"Ironically," he writes, "even as more US companies come to resemble Japanese companies, Japan's public companies are becoming more like US companies of 15 years ago." Prof Jensen might have added that they are also showing great enthusiasm for diversification. Steel companies have moved into *semiconductors*, home appliance makers dabble in resort development, and car makers build houses. Will big Japanese industrial companies come to the same sorry fate that befell the famous American conglomerates of the 1980s?

It is a tantalising thought, but it would be unwise to bank on it. Japanese companies are not perfect; they get into trouble from time to time just like their Western counterparts. But recent cases indicate that if the pressure on Japanese companies from banks has eased (shareholders never had much say), other pressures, both social and competitive, remain formidably strong in Japan's business community. Okuma Machinery Works, one of the top machine tool makers, became a bit lazy a couple of years ago and profits sagged. The company's trade union complained loudly about nepotism in the executive suite and, with support from the company's lead bank, it forced the Okuma family to relinquish control. At about the same time, Sumitomo Bank sacked its president in a blaze of publicity when earnings were not up to the group's aggressive standards.

As for diversification, Japanese industrial managers appear to approach it from a healthier viewpoint than some Western companies. Far from seeking to expand their own power and perks, they are more interested in preserving the competitiveness of their core businesses. In return for employees' support for rationalisation and automation plans, managers create new jobs for those displaced, and diversification is a way to go about it. Thus, the commitment to diversification throughout a firm is strong.

Those expecting Japanese companies to become sloppy may have a long wait.

LETTERS

European Commission's hostility to advertising

From Mr Angelo Mills.

Sir, Last February writes ("Fighting to the last gasp," February 8) that the European Commission is not thirsting to ban advertising wherever it can and that fears on this score are almost certainly overplayed.

Advertisers and representatives of all media throughout Europe think otherwise. Tobacco advertising may be in the front line today but, if the Commission succeeds in getting one "health protection" measure through under the guise of an "internal market" measure by abusing Article 100A of the Treaty of Rome,

the door will be open for attacks on other product categories.

A proposal already exists to control branded pharmaceutical advertising throughout Europe. There is also a proposal which would effectively ban all claims made in food advertisements unless a dietitian says otherwise.

The European Parliament's Environment, Public Health and Consumer Protection Committee has already voted to go further than the Commission's proposed restrictions and has called for a ban on tobacco advertising. Such a vote may be seen as an empty

political gesture by the member states but many MEPs believe they have every right to ban advertising. Many have openly admitted that they would like to see severe advertising restrictions or bans on many product categories including alcoholic drinks, pharmaceuticals, financial advertising, toys, cars, food and so on.

There is little recognition of the positive benefits that advertising has for the economy and for the consumer or of its undoubted contribution to the completion of the internal market. These hostile attitudes to

advertising cannot be ignored and may go some way towards explaining our deep felt fears. The European Parliament may not have legislative power but its influence should not be underestimated.

These attitudes, together with the proposed limits on the freedom of expression in draft proposals on pharmaceuticals, tobacco and food constitute concrete evidence of new curbs on the freedom of commercial speech.

Angela C. Mills, Director, Special Issues, The Advertising Association, Abford House, 15 Wilton Road, SW1

An opportunity for Sir Bryan Carsberg

From Mr Tony Young.

Sir, In his interview with Hugo Dixon ("Freeing the phone network," February 9) Sir Bryan Carsberg says: "The playing field... is a multi-dimensional field that can be tilted in many different ways". True, but why persistently tilt it against the key domestic telecommunications company (British Telecom)? Why continue to stack the odds against a British company that is striving to ensure that it is a major world player in the future, a task in which success can only be built upon a secure domestic network?

Mr Dixon raises doubts about Professor Carsberg's substantial, but in effect unaccountable, power over a vital sector of the economy - a point not made often enough. If Sir Bryan believes that one visit to a select committee and one incomplete civil law action in nearly six years constitute "very real limits to my power," then he inhabits a different world from the rest of us. Even when bolstered by the

extremely spurious notion of "being accountable to the public through the media," Professor Carsberg's case holds little water.

Leaving aside concern surrounding the method of appointing the immensely powerful Director-General, one simple change for the better would be to adopt a more open system of regulation with information placed more completely in the public domain.

It is far from clear that the present arrangement serves us that well. Even Professor Carsberg admits that Mercury has had to make a serious impact in telecommunications provision. Yet OfTel remains excessively concerned with establishing new competition (and duplication of resources) in the UK basic telephone network.

Moreover, Professor Carsberg seems determined to swathe new entrants in regulatory cotton wool, lest they be forced to face up to real competition. What OfTel seems unwilling to embrace is that blinkered pursuit of "competition" policy has become a

major distraction from the long-term concerns of the telecommunications sector.

Nowhere is this better illustrated than in OfTel's continuing reluctance to advise the Government to revoke the so-called asymmetry rule where, unlike Cable TV companies, BT is prevented from providing television as well as telecommunications over its network. This restriction threatens to retard seriously the introduction of a broadband fibre optic network, the information infrastructure essential for the future.

In the November review of the duopoly, Professor Carsberg and the Government have an opportunity to gear regulatory policy in a manner which allows the UK to assume a position at the forefront of world telecommunications, both in domestic provision and international competition.

Tony Young, General Secretary, National Communications Union, Gregstock House, 150 Brunswick Road, W5

EC computer copyright rules

From Mr Robert Moreland.

Sir, Whatever lobbying is going on in the European Community ("Battle joined on computer copyright," January 24) most member states, knowing that "reverse engineering" is the route to copying, will want the directive on "the legal protection of computer programs" to forbid "decompiling".

The only real debate is whether or not an exception to this rule for genuine research or interface reasons should be left to the member states' discretion or that a clause similar to the UK "fair dealing" clause and within the scope of the wording of the Berne Convention should be included. The Council of Ministers is under no illusion that its objective will be to block any aspect of reverse engineering that could lead to copying.

The real danger is that this debate is drawing attention away from other important issues still to be resolved. In particular, as has been pointed out in both the opinion of the EC's Economic and Social Committee (for which I was rapporteur) and in the draft opinion currently before the Legal Affairs Committee of the European Parliament, the European Commission's draft fails to provide a definition of "originality" and proposes a term of protection not consistent with the Berne Convention. There are also pressures to exclude protection for computer generated programs.

Robert J. Moreland, 3 The Firs, Heathville Road, Gloucester

A health warning for company accounts

From Mr Swraj Paul.

Sir, Lex rightly states ("The narrow mind of the auditor," February 12) that after the Caparo v Touche Ross judgment, a company's report and accounts do not seem to serve much purpose from the investor's point of view.

During the long and expensive period in which Caparo has fought to establish just what duty auditors do owe investors, we have been heart-

ened by the number of users of accounts and investment managers who have shared our surprise that auditors are not responsible for any conclusions an outsider might draw about a company's worth.

Now that the House of Lords has told users of audited accounts how little protection they have, we respectfully suggest that the Stock Exchange and the Securities and Investments Board should consider

introducing a mandatory "health warning" on the front cover of public company accounts. Something like the small print at the foot of a stockbroker's note should do - "no liability is accepted whatsoever for any direct or consequential loss arising from the use of this document."

Swraj Paul, Caparo Industries, Caparo House, 105 Baker Street, W1

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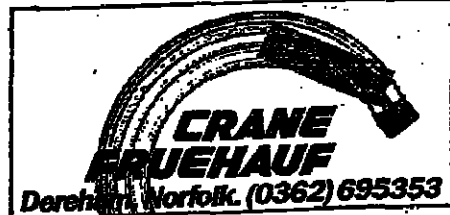
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Thursday February 15 1990



GERMAN UNIFICATION TALKS

Poland seeks security guarantees

By Robert Mautner, Diplomatic Correspondent, in London

POLAND WANTS to take part in international consultations on German unification to ensure that its borders and security are guaranteed, Mr Tadeusz Mazowiecki, the Polish Prime Minister, said in London yesterday.

Mr Mazowiecki was speaking at a press conference after a three-day visit to London, during which he and Mrs Margaret Thatcher, the British Prime Minister, discussed the problems arising from German unification.

While not rejecting the formula agreed by the two Germanys and the four wartime Allied powers in Ottawa on Tuesday for joint consultations on German unification, the Polish Prime Minister made clear that it fell short of meeting Poland's particular concerns.

"Obviously we want to be present whenever the security of Germany's neighbours is discussed. Our security cannot be settled by proxy for us," he said.

There were no indications yesterday that the six members of the German unity consultative group were inclined to include Poland in their formal framework, but British officials indicated that ways would be found of consulting Poland.

It was stressed in London that the statement issued in Ottawa at the end of the Nato and Warsaw Pact Foreign Min-



Polish Prime Minister Mazowiecki: security fears

isters' conference specified that the group of six would discuss the external aspects of German unity "including the issue of the security of neighbouring states."

Mr Hans-Dietrich Genscher, the West German Foreign Minister, suggested after talks with Mrs Thatcher and Mr Douglas Hurd, the British Foreign Secretary, in London yesterday that the structure for a united Germany could be in place by the end of this year.

Talks between West and East Germany, which would

take place shortly, would be followed by a meeting of the four wartime allies - the US, the Soviet Union, Britain and France - to consider the outcome of the intra-German discussions. It would be desirable for the results of these meetings to be presented to the 35-nation Conference on Security and Co-operation in Europe at the end of this year, Mr Genscher said.

Mr Genscher denied suggestions that West Germany was irritated by reports of Mrs Thatcher's allegedly lukewarm, even hostile approach to German unity. "The Prime Minister has expressed support for German unity. It is an enormous encouragement not only for the government of the Federal Republic, but for Germans in East and West," he said. It was an "enormous encouragement" for the Bonn Government and for Germans in east and west.

Mr Hurd said that probably the single most important problem that needed to be settled by the group of six set up in Ottawa was a unified Germany's relationship with Nato and the Warsaw Pact. It was very important that Germany should remain a full member of Nato once it was united, he said in a radio interview. But it was "perfectly possible to grasp" that a unified Germany could remain in Nato, but have Soviet troops stationed on what was formerly East German soil.

This was not so very different from the solution envisaged by Mr Mazowiecki, who said that he did not favour a neutral unified Germany. Instead, he anticipated that Nato troops would continue to be stationed in the country's western region, while some Warsaw Pact forces would probably remain in the eastern part of the country.

Mr Hurd said that the Nato MPs' back unification, Page 2; Editorial comment, Page 14.

Dutch may separate guilder from D-Mark

By Laura Raun in Amsterdam

THE NETHERLANDS is considering detaching the guilder from the D-Mark because of fears that inflation will be fuelled by monetary union between West and East Germany.

The Hague's move is the first public sign of a potential unravelling of the D-Mark bloc in which the guilder, Swiss franc and Austrian schilling closely follow the West German currency.

Mr Wim Kok, the Dutch Finance Minister, plans to make an official statement this week - perhaps today - after suggesting on Monday that severance of the two currencies was possible.

Some Dutch fear that inflation may be imported from Germany if its interest rates rise to underpin a D-Mark pressured by rapid monetary expansion, sparked by monetary union.

Dutch MPs plan to debate the issue as soon as they receive a letter from Mr Kok stating his position on the monetary, financial and economic implications of the German moves.

The Netherlands boasts one of the world's lowest inflation rates - expected to be about 1.5 per cent this year. Guilder strength and climbing West German interest rates had narrowed the premium in Dutch

rates over German ones to about 35 basis points by yesterday.

On Monday Mr Kok noted that rising rates would hinder Dutch efforts to shrink the huge government budget deficit. But he also admitted that the Dutch economy stood to enjoy a windfall boost from faster economic growth in a united Germany.

Last month Mr Wim Duisenberg, the Dutch central bank president, acknowledged that Dutch interest rates might be cut independently of German ones but cautioned against early divorce between the guilder and D-Mark. "Whoever wishes to reap the

longer-term fruits of a sound policy will have to be prepared to take the bitter with the sweet in the short term, as embodied in present in the pursuit of a tighter German monetary policy," he said.

Mr Hans de Jongh, head of foreign economic research at Amsterdam-Rotterdam Bank, said yesterday that the guilder/D-Mark link should remain because higher German inflation would be no worse than that of some other European Community currencies.

But Dutch interest rates lagged behind German ones, then inflation would be imported anyway, he argued. Currencies, Page 36

UK makes concessions over Hong Kong

By John Elliott in Peking

BRITAIN yesterday backed down in the face of intense diplomatic pressure from China and agreed to a pace of democratic development in Hong Kong far slower than demands made by a wide body of opinion in the British colony.

The agreement will enable drafting of the Basic Law, which will form Hong Kong's main constitutional document, to return to Chinese sovereignty in 1997, to be completed this week in Peking.

It will also allow for continuity - or "convergence," as it is officially called - of the colony's legislature through 1997, which should help bolster Hong Kong's fragile confidence.

However, the deal will be attacked by liberal campaigners in Hong Kong and others who will argue that the UK has not been prepared to stand up to Peking's hardline leadership in the wake of last summer's

Tiananmen Square crisis. Britain will also probably be criticised for not being skilful enough in negotiations to win significant concessions from China.

Peking has removed from the law any reference to full universal franchise in the future and has only agreed that a third of the legislature should be elected in 1995 under British rule.

That third will "converge" through 1997 until the next elections in 1999 when the figure will go up to 40 per cent, followed by 50 per cent in 2003. This arrangement will enable the UK to introduce only 18 directly elected seats - 30 per cent of a total of 60 - next year when the colony will experience its first direct elections.

News of the deal came yesterday morning when Mr Li Ho, secretary general of the Peking-dominated Basic Law Drafting Committee, said:

"Obstacles on the question of convergence have been basically eliminated."

The figures have been agreed in lengthy negotiations in Peking between Sir Alan Donald, the British ambassador, and the Foreign Ministry. The post-1997 arrangements are expected to emerge today and tomorrow at the final sessions of the drafting committee. The 1991 and 1995 plans will probably be announced later in London.

Peking will claim that it has introduced significant concessions because it has agreed that an electoral college needed for partial indirect elections in the 1995-99 period can be set up under British rule and continue through the 1997 changeover. It is also watering down plans for two-tier voting which reduces directly elected members' power. Now, two-tier voting is expected to apply only to private members' bills.

There is also expected to be an increase from 15 per cent to 20 or 25 per cent in the number of legislative members allowed to hold foreign passports. This limit was introduced last month by Peking as a protest against Britain's plan to give passports to up to 225,000 Hong Kong people.

But none of these concessions dramatically affect the working of the legislature and they all relate to points which Peking has introduced as anti-democracy bargaining plays late in the drafting process.

The UK, on the other hand, has backed down from support it gave after last June's events for 40 per cent (25 seats) of the legislature to be directly elected in 1995 and 50 per cent in 1999. It will argue that it has done this because support in Hong Kong for rapid political developments has dwindled. Democracy squeezed out in debate, Page 4

Perrier to withdraw and destroy world stocks

Continued from Page 1

"A human error has been committed. It has been localised. It has been corrected," Mr Leven said. He stressed repeatedly that the Perrier spring itself was as pure as ever.

The full direct cost of the crisis would be taken against the 1989 accounts, which had been expected to show profits up some 30 per cent on the previous year's £11bn after-tax figure. Turnover in 1989 was £11.5bn, of which 54 per cent came from sales of mineral water.

Perrier would be able to cover the cost of the recall from profits from purely financial operations, Mr Jacques Vincent, vice-president, said. Perrier's directors argued that their decision to act would, if anything, improve the product's quality image, though analysts argue that equally this presents a good opportunity for competitors, like BSN, which controls the best selling Evian and Badoit brands.

The US Food and Drug Administration first asked Per-

rier to check its water in the US - which accounts for roughly 15 per cent of sales - on February 2, but it was not until last weekend that the group received the full results, showing benzene of between 12.3 and 12.9 parts per billion, as against the FDA's allowable limit of 5 parts per billion.

Subsequent tests found traces of benzene in some of the French bottling lines and in deliveries in Japan and Europe. Independent medical experts called in by Perrier

said even stocks being scrapped posed no real danger. Small amounts of carcinogenic substances could in any case be found in all kinds of food and drink, said one.

In a sign that anxiety is present elsewhere in the French mineral water industry, Vitel, announced that it had recalled 500,000 bottles of Hepar mineral water since mid-January. A sample of 2,000 to 3,000 bottles, all sold in France, had been tainted by a coal filter, but tests showed no danger.

WORLDWIDE WEATHER

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Algeria	12	10	10	12	10	10	12	10	10
Amman	12	10	10	12	10	10	12	10	10
Baghdad	12	10	10	12	10	10	12	10	10
Bangkok	12	10	10	12	10	10	12	10	10
Bombay	12	10	10	12	10	10	12	10	10
Buenos Aires	12	10	10	12	10	10	12	10	10
Calcutta	12	10	10	12	10	10	12	10	10
Cairo	12	10	10	12	10	10	12	10	10
Cardiff	12	10	10	12	10	10	12	10	10
Chengdu	12	10	10	12	10	10	12	10	10
Colombo	12	10	10	12	10	10	12	10	10
Copenhagen	12	10	10	12	10	10	12	10	10
Cebu	12	10	10	12	10	10	12	10	10
Delhi	12	10	10	12	10	10	12	10	10
Dhaka	12	10	10	12	10	10	12	10	10
Dublin	12	10	10	12	10	10	12	10	10
Edinburgh	12	10	10	12	10	10	12	10	10
Frankfurt	12	10	10	12	10	10	12	10	10
Glasgow	12	10	10	12	10	10	12	10	10
Hong Kong	12	10	10	12	10	10	12	10	10
Imbabura	12	10	10	12	10	10	12	10	10
Islamabad	12	10	10	12	10	10	12	10	10
Jakarta	12	10	10	12	10	10	12	10	10
Jeddah	12	10	10	12	10	10	12	10	10
Kuala Lumpur	12	10	10	12	10	10	12	10	10
London	12	10	10	12	10	10	12	10	10
Los Angeles	12	10	10	12	10	10	12	10	10
Luanda	12	10	10	12	10	10	12	10	10
Manila	12	10	10	12	10	10	12	10	10
Medan	12	10	10	12	10	10	12	10	10
Mumbai	12	10	10	12	10	10	12	10	10
Nairobi	12	10	10	12	10	10	12	10	10
Paris	12	10	10	12	10	10	12	10	10
Peking	12	10	10	12	10	10	12	10	10
Rangoon	12	10	10	12	10	10	12	10	10
Riyadh	12	10	10	12	10	10	12	10	10
Singapore	12	10	10	12	10	10	12	10	10
Sofia	12	10	10	12	10	10	12	10	10
Taipei	12	10	10	12	10	10	12	10	10
Tokyo	12	10	10	12	10	10	12	10	10
Ulaanbaatar	12	10	10	12	10	10	12	10	10
Yokohama	12	10	10	12	10	10	12	10	10

Early EMU talks likely

Continued from Page 1

German process on the European Monetary System.

An early start to the EMU negotiations would also reopen abruptly the awkward political decision as to when Britain should meet its commitment to take sterling into the European Monetary System's exchange rate mechanism.

There is little confidence in Whitehall, however, that the Government could block the Franco-Italian initiative if it was backed by a majority of EC states. At last December's Strasbourg Summit, Mrs Margaret Thatcher, who strongly opposes proposals for a single European currency and central bank, voted against the convening of the conference.

She was forced to concede, however, that Britain would attend to present its alternative plan for a system of "competing" currencies in the Community.

The call for a special EC summit after the East German elections on March 18 which was launched on Tuesday by Mr Jacques Delors, the Commission President, has caused some irritation in Paris. David Buehan in Strasbourg writes: Mrs Maire Godegheun, French minister for European affairs, said it was the Irish presidency's prerogative to call a special EC summit on Germany, not that of Mr Delors but indicated Dublin agreed with the likely need for such a meeting.

Commission opposes Air France takeover of UTA

By Lucy Kellaway in Brussels

THE European Commission has decided to open formal proceedings against Air France over its takeover last month of UTA, which it believes to have clear anti-competitive implications.

Sir Leon Brittan, EC Competition Commissioner, had argued strongly that the deal should not be waved through, and yesterday persuaded his commission colleagues to send a formal statement of objection to the company.

Sir Leon said yesterday that the merger of the two French air companies "created a group which on the face of it would appear to be in breach of Article 86 of the Treaty of Rome." This article allows the Commission to intervene when a monopoly position is being abused.

The takeover, which gives Air France ownership of UTA and control of Air Inter, the French domestic airline, means that the combined group controls all but 3 per cent of the market designated to French companies.

This compares with Lufthansa's 80 per cent control of the German market and British Airways' 68 per cent of the UK market.

The statement, which spells out the Commission's view of the worst competitive damage the merger could demand a response from Air France.

However, it leaves open the outcome of the discussion. In theory, the Commission has power to order an unscrambling of the merger; alternatively it could suggest a deal along the lines of that agreed with British Airways and British Caledonian, which would require the merged group to shed some of its routes.

Paul Abraham adds from London: Sources at Air France said last night that the company had been surprised by the speed of the Commission's decision. They suggested that it was abnormal that Brussels should take only a month to decide to investigate the deal when it had taken eight to decide to examine British Airways' purchase of British Caledonian.

Nevertheless the sources said the company remained confident of its judicial position. Mr Bernard Attali, the chairman of Air France, is expected to meet Sir Leon on February 19 to discuss the issue.

Japan hit by cost of oil imports

By Ian Rodger in Tokyo

JAPAN'S merchandise trade surplus was almost wiped out in January because of a customary seasonal slump in exports and a big rise in the cost of oil imports.

The surplus on a customs cleared basis before seasonal adjustment was only \$342m, roughly a tenth of the \$3.25bn surplus in January, 1989.

Exports were down 3.8 per cent on the year to \$18.6bn while imports rose 12.4 per cent to \$15.8bn. The trade surplus with the US narrowed slightly to \$2.19bn from \$2.57bn in January, 1989. The surplus with the EC tumbled 45.4 per cent to \$977m.

Exports to the EC countries rose 2.5 per cent to \$3.77bn, but imports jumped 41.2 per cent to \$3.9bn.

The slower export growth was mainly because of sluggish vehicle exports, which slid 4.3 per cent, while imports of cars from the EC were 2.5 times higher than in January, 1989.

The other main factor in the decline of the surplus was the rise in crude oil prices. These crude prices averaged \$18.50 per barrel in January, up 39.3 per cent from an average \$13.25 a year earlier. The result was that even though the volume of oil imports was virtually unchanged from the level in January a year ago, the value jumped 40.7 per cent to \$2.25bn.

A major upset from Abbey

Abbey National's mortgage rate rise is bad news for the Government as much as it is for mortgage payers. The near 1 point rise, which is likely to be followed by most building societies, will do little for Mr Major's battle to bring down inflation. The annual rate will probably push above 8 per cent in the second quarter and the Chancellor's fourth quarter target of 5.75 per cent already looks likely to be missed. That in turn will restrict Mr Major's options, not only in this year's Budget but in next year's pre-election run up.

Nor will the increase do anything for the Government's standing in the polls. Abbey's action could have put paid to the few flickering signs of recovery in the housing market. A growing number of voters cannot meet their payments or move when they would like. And the prospect for a retail recovery will be put back a few months, although the effect will be muted because of the annual rate setting cycle. Halifax, the UK's biggest lender, has already informed borrowers of its rates for the current year.

The fact that Abbey opted for the bad publicity, and for an increase greater than the 0.5 per cent which had been expected, indicates the extent of the competition in the savings market. It also shows that mortgage rates cannot be expected to stay below base rates for long periods at a stretch. This does prove that base rates are still a reasonably efficient mechanism for setting rates throughout the economy, but that for the moment will be small comfort to the Chancellor.

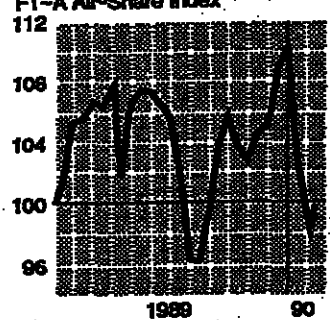
Hanson

If it were true that all the really important information about Hanson's 1990 operating results was contained in January's forecast of a 22 per cent dividend increase, it would make sense for the stock market to bid to better two much with its first quarter earnings figures. All the more so given Hanson's well-known reluctance to give any divisional details, and investors' preoccupation with finding out about Hanson's plans for its 49 per cent stake of Newmont Mining, or for its new big deal.

So it is understandable that Hanson's share price should do nothing yesterday, on news of earnings per share up 11 per cent. But it may be complacent for the market to accept at face value Hanson's assurances

British Airways

Share price relative to the FT-100 All-Share Index



about how well the year has started. Even before the purchase of ARC as part of Connaught, about 18 per cent of Hanson's pre-tax profits were dependent on the currently weak UK and US building markets. London Brick's problems have been evident for some time, but English Clay's profits warning on Tuesday may have implications too for Hanson's UK aggregates side. It is hard to believe that Hanson has magical powers in this area, especially since it says it is still two or three months away from finishing its reorganisation of ARC.

County NatWest

County's offer of £30m compensation to Blue Arrow shareholders is a striking gesture from a company under threat of trial for fraud. But it should also be seen in the context of a row between the institutions and UBS, Phillips & Drew, which in true Swiss fashion shows no signs of giving ground at all.

County NatWest

The offer of up to 80p per share, plus interest, falls into two parts: to everyone who bought in the market at the time of the rights issue; and to those with whom County itself placed shares. In total, the placing involved four times as many shares as those bought in the market; and P&D, as broker to the issue, did three quarters of the placing. On a pro rata basis, County's unanimous gesture would land P&D with a bill for £45m.

As the DTI report makes quite clear, P&D was intimately involved with the whole deal from the outset. But it would seem odd if it should end up with more than half the cost. It placed more shares than County because that was its speciality, not because it was more culpable.

On the other hand, County is doing its best to placate the institutions on which its livelihood depends. By its apparent obduracy, P&D cannot be helping its own position in the market.

County's initiative is also a welcome bypassing of the law's delays in favour of natural justice. At a time when City scandals are back in the news with the Guinness trial, County can do itself no harm by following the example of Mr Gerald Ronson, who put his hand in his pocket without being asked.

Perrier

The Perrier affair is turning out to be a marketing nightmare. It is a highly priced product whose success has been built on the fact that it tastes better than an alternative which costs nothing. So it is hard to measure the impact on one of the world's best known consumer brand names of the decision to withdraw all its worldwide stock. Yesterday's 4 per cent drop in the Perrier share price came before the news broke. However, there is far more to the company than fizzy water and Perrier's own shares may be suffering unduly from the company's own secretiveness.

British Airways

Three years after privatisation and the view from the BA flight deck is still looking pretty good. Or is it? A 20 per cent rise in third quarter earnings looks impressive alongside the recent performance of competitors like KLM. However, strip out the benefit of aircraft sales and lower pension fund contributions and profits are down. No doubt BA will continue to benefit from these erratic items in future, but they are best ignored in judging how well BA's core business is doing.

Traffic continues to grow surprisingly strongly despite a marked slowdown in its two biggest markets; and the near 3 per cent rise in passenger yields in the first nine months is remarkable when compared with the 1.5 per cent growth between 1985 and 1989. So far these favourable developments have more than offset the substantial rise in fuel and staff costs. But it only needs a slight hiccup in traffic pressure, or increased price pressure, or competitors desperate to fill their new capacity, and talk of a repeat of this year's pre-tax profits of £300m plus could look optimistic.

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INTERNATIONAL COMPANIES AND FINANCE

Daimler-Benz expected to surpass predicted earnings

By Katharine Campbell in Frankfurt

DAIMLER-Benz, West Germany's largest industrial concern, will report higher-than-expected group profits this year following a switch in accounting practice.

While operating profits at Daimler are expected to be little changed on 1989, a move to bring the company's accounting practices more in line with Anglo-American convention will lead to less conservative provisioning for pension contributions, the company said.

Group turnover for last year increased by 4.3 per cent to DM76.57bn (\$45.66bn), Daimler said in a letter to shareholders. Its full results are due to be announced within the next

couple of months. The group had forecast net profits substantially unchanged from 1988's DM1.7bn. But analysts yesterday were quick to point out that the changed accounting policies regarding pension liabilities could mean a one-off addition of possibly DM500m to the 1989 net profit.

Daimler is actively seeking a more international shareholder profile - with a planned listing in London and then in Tokyo this year - and the current ultra-conservative valuations have depressed equity ratios.

Without the contribution of Messerschmitt-Bölkow-Blom, the aerospace company Daim-

ler acquired last year and which will be consolidated in the 1990 results, the Deutsche Aerospace division increased turnover by 7 per cent to DM 7.775bn. Turnover at AEG, meanwhile, rose to DM 12.922bn.

It is from cars and trucks that some 75 per cent of Daimler's turnover - and more of its profits - emanate. Here, passenger car production fell to 542,000, from 590,000 units, during the year.

The highly competitive domestic market saw lower sales, while the US also again proved hard-going. Truck production advanced slightly to 261,000 units.

Maytag and Electrolux differ on Whirlpool

By Clay Harris in Cologne

MAYTAG and Electrolux, owners of the two largest vacuum cleaner manufacturers in the US, yesterday took opposite views on the rival floor care business put up for sale last week by Whirlpool.

Maytag indicated that its Hoover subsidiary did not intend to bid for the Whirlpool operation.

Mr Anders Scharp, president and chief executive officer of Electrolux, said yesterday in Cologne: "It is of interest to us to see if we can buy it."

Whirlpool's sales of vacuum cleaners through Sears Roebuck account for 10 per cent of the total US market. The company does not give any sales or profit figures for the vacuum cleaner business, which ranks third behind Hoover and Eureka, Electrolux's brand. Competitors estimate it has annual turnover of \$100m to \$150m.

Together, Hoover and Eureka have just over 50 per cent of the US market. Electrolux has not owned its own name in the US for many years, although the brand is used on domestic appliances, including vacuum cleaners.

The figure has fallen recently, however, because of Sears' introduction of a brand central trading format which resulted in Kenmore, the Whirlpool-made store brand, losing sales to other manufacturers' vacuum cleaners.

This is one reason Maytag is likely to count itself out of the race for Whirlpool's vacuum cleaner operation, according to Mr Frank Vaughn, Hoover's president and an executive vice president of the parent company.

Mr Vaughn, who was also in Cologne for the Domotecnica domestic appliances trade show, said the Whirlpool business would not bring its buyer a marketable brand name. Its sales through Sears were likely to decline and were low margin business in any case, he said.

He said Hoover had no use for Whirlpool's Kentucky manufacturing facility, which is to be included in the disposal. This view is shared by Electrolux.

Continuity with a difference for Iri

By John Wyles in Rome

MR FRANCO Nobili yesterday promised a period of "continuity" during his presidency of Italy's pre-eminent state holding company, Iri, and then proceeded to reveal some significant points of departure from the policies pursued during the reign of Mr Romano Prodi, his predecessor.

At his first press conference since he walked into Iri's Via Veneto headquarters in December, the 64-year-old manager, who has spent virtually all his previous career in the private sector, displayed a predictably different style from the fast-talking, wise-cracking Mr Prodi.

He addressed his mixed audience of journalists and top

management of Iri-controlled companies for an hour before taking questions.

Though Mr Nobili, like Mr Prodi, regards his main priority as the need to equip Iri with the international strength to face the new challenges in Europe - which now includes eastern markets, as he made clear yesterday in requesting political risk credits insurance from the Treasury - his agenda and the underlying political tone were rather different.

Above all, this close friend of prime minister Mr Giulio Andreotti, was not even obliquely rude to the politicians, nor threatening to run against the political grain on

such issues as privatisation.

On the latter point, he indicated that he was not prepared to go beyond joint ventures with the private sector, in which Iri would maintain the majority position. At the same time, he wanted to add as many Iri companies as possible to the 27 already listed on the Milan stock exchange and foreign listings for some on foreign exchanges.

More generally, Mr Nobili seemed to regret there were industrial overlaps between Iri and the other two state holding companies, Eni and Efim, but he put the first responsibility for sorting this out on the managers of the three holdings, as though expecting the politi-

cians to stand idly by. He appeared very concerned about the proliferation of companies with closely related activities in Iri, and promised a rationalisation according to the philosophy "we must unite to be stronger."

Given Mr Nobili's background, it is no coincidence that his first priority in this field is to rationalise the 150 companies in the Istatat construction empire headed by the politically influential Mr Ettore Bernabei, against whom Mr Prodi made little progress.

Mr Nobili's closest brush with the body politic was a well-argued complaint about the lack of generosity in government policies on tariffs.

Hennessy rises 45% to FF5bn

By George Graham in Paris

HENNESSY, the cognac division of the LVMH drinks and luxury goods group, increased net profits by more than 45 per cent last year, as sales rose 24 per cent to FF5.07bn (\$889.5m).

The company sold 35m bottles of cognac last year, 9 per cent more than in 1988, confounding its own expectations of a slowdown.

Sales grew even faster in the older and more expensive qualities of cognac, which for the first time accounted for more than half of Hennessy's sales.

Hennessy remains the market leader with a 26 per cent share of total sales of bottled cognac.

Together with Hine, another smaller cognac house owned by the group, LVMH has a world market share of 28.5 per cent.

Mr Gilles Hennessy, a member of the company's management board, said that 1989 would be for Hennessy what 1988 should have been: a pause, with sales remaining stable. It would continue to buy new barrels at a rate of 13,000 a year.

He said the company needed to control its rate of growth in order to allow it to build its stocks of matured spirits, which grew last year by FF440m and are currently valued at FF50m.

It might, however, prove difficult to restrict sales, since demand in the Far East, the major market for cognac, continued to grow strongly.

The whole of the Cognac region shipped a record 157m bottles last year, 8 per cent more than in 1988.

Over the last ten years sales of cognac to Europe have declined by 18 per cent to 55m bottles a year, but in the Far East they have doubled to 42.5m bottles and in the Americas risen by 34 per cent to 33.1m bottles.

Sales in the US, however, are now stabilising in the face of declining consumption of spirits.

Kymmene fails to meet targets

EARNINGS of Kymmene, the leading Finnish forest products group, did not meet their target in 1989, the group said yesterday, writes Maggie Urry.

The group's sales rose by nearly 10 per cent to FM11.4bn (\$2.9bn) from FM10.4bn, but gross profits were slightly down from FM2.3bn to FM2.2bn and the profit margin fell from 22 per cent to 19 per cent.

Oversupply in the paper market meant that use of capacity fell.

Telefonica advances 11%

By Tom Burns in Madrid

TELEFONICA, the Spanish telecommunications monopoly, which is 32 per cent state-owned and listed in New York and London, pushed net 1989 profit up by 11.3 per cent to Pta68.46bn (\$831.5m). It expects to repeat last year's Pta55 dividend.

Earnings per share rose from Pta69 in 1988 to Pta74 and pre-tax profits from Pta85.21bn to Pta92.25bn.

Mr Candido Velazquez, Telefonica's chairman, said the

1989 net profit represented "only 5.2 per cent" of the company's equity, adding that in this respect he was not satisfied with the results. "I want to improve the profitability," he said.

Turnover was up by 16 per cent to Pta708.6bn in spite of a tariff increase last year of just 3.38 per cent, which was less than half the inter-annual inflation rate. The growth was due to a 5.6 per cent increase in telephone usage.

Mr Vaughn, who was also in Cologne for the Domotecnica domestic appliances trade show, said the Whirlpool business would not bring its buyer a marketable brand name. Its sales through Sears were likely to decline and were low margin business in any case, he said.

He said Hoover had no use for Whirlpool's Kentucky manufacturing facility, which is to be included in the disposal. This view is shared by Electrolux.

Hoechst lifts Schwarzkopf stake

By Katharine Campbell

HOECHST, the West German chemicals concern, has acquired a 28 per cent holding in Schwarzkopf, which specialises in hair and other body care products, bringing its share of the company to 74.85 per cent.

Purchasing the shares, for an undisclosed sum, from other Schwarzkopf family members, a Hoechst official said the company was in discussions with Mr Hans Schwarzkopf, who owns the remaining 25.15 per cent, about acquiring a portion of his holding too.

Group turnover in Schwarzkopf this year will amount to about DM1.3bn (\$775.2m). The company, which has 4,200

employees, has a particular strength in supplies to the hairdressing trade, which Hoechst says it wishes to expand in Europe.

At the moment Schwarzkopf's business is evenly split between Germany and the rest of Europe.

Hoechst says the company's product grouping complements its own cosmetic activities, which include Jade, a Frankfurt-based company, and Marbert, Düsseldorf.

With Schwarzkopf, the chemicals concern will have cosmetic sales valued at about DM1.5bn.

Hoechst's initial 48.85 per cent stake in Schwarzkopf extends back 20 years. It has

been keen for some time to increase the shareholding.

● The domestic non-life group of Allianz Holding said net profit rose to DM355m in 1989 from DM318m in 1988. The pre-tax profit of the group, the biggest non-life insurer in West Germany, was about DM750m in 1989. The company gave no comparison.

Allianz said insurance profits last year were little changed, while the non-insurer business contributed more to pre-tax profits.

Premium income, which rose to DM9.9bn from DM9.5bn, was expected to rise to about DM10.4bn in 1990, the company added.

Nixdorf to sell Irish factory

NIXDORF Computer, the loss-making West German computer group which was taken over this year by competitor Siemens, is negotiating the sale of its Irish factory, which employs around 400 people, Reuters reports.

The plant, in Bray, is to start laying off one in four workers under the German parent company's sweeping rationalisation plans.

Ireland's Industrial Development Authority said: "There is no doubt that Nixdorf wishes to disengage from Ireland quickly."

Swiss employment agency fails to match forecast

ADIA, the big Swiss employment agency group which merged last year with Inspectorate International, said its combined net profit for 1989 will be less than the SF240m to SF255m (\$41.5m) forecast, Reuters reports.

"Operating profits in the services sectors were in line with expectations," said Adia. "But the increase in interest rates, the drop in the value of the pound and the dollar and the general business slowdown in the UK and the north-east of

the US will result in a pro forma combined net profit somewhat below the forecast issued last September."

Adia said pro forma combined revenue rose to SF76.09bn from SF74.99bn in 1988. Revenue growth was especially strong in personnel and security services, it said.

Computer leasing business was good in the US, but profits were not satisfactory in Europe. Adia said it expected sharply higher profitability in Europe this year.

AGF agrees on £107m for Irish insurance group

By Kieran Cooke in Dublin

ASSURANCES Generales de France, the French insurance group, is to pay £107m (\$171.8m) for the Insurance Corporation of Ireland, the fourth largest non-life insurance company in Ireland.

Insurance of Ireland was owned by Allied Irish Banks but collapsed in 1985 with an accumulated deficit of £226m. The collapse was blamed mainly on activities in the London reinsurance market.

The state appointed an administrator for Insurance of Ireland, who disposed of various non-core and foreign-based parts of the group. The Irish group reported an operating profit of £112.4m in 1988, but the accumulated deficit stood at £118m.

AGF, which is 75 per cent owned by the French Government, already has a 27.4 per cent shareholding in Church and General Insurance, another Irish insurance group. Irish Life, the state-owned group which is Ireland's largest insurance company, is the majority shareholder in Church and General.

There are indications that AGF and Irish Life will now seek to merge Insurance of Ireland and Church and General. There are reports that the Government intends to announce privatisation plans for Irish Life within the next few weeks.

This announcement appears as a matter of record only.

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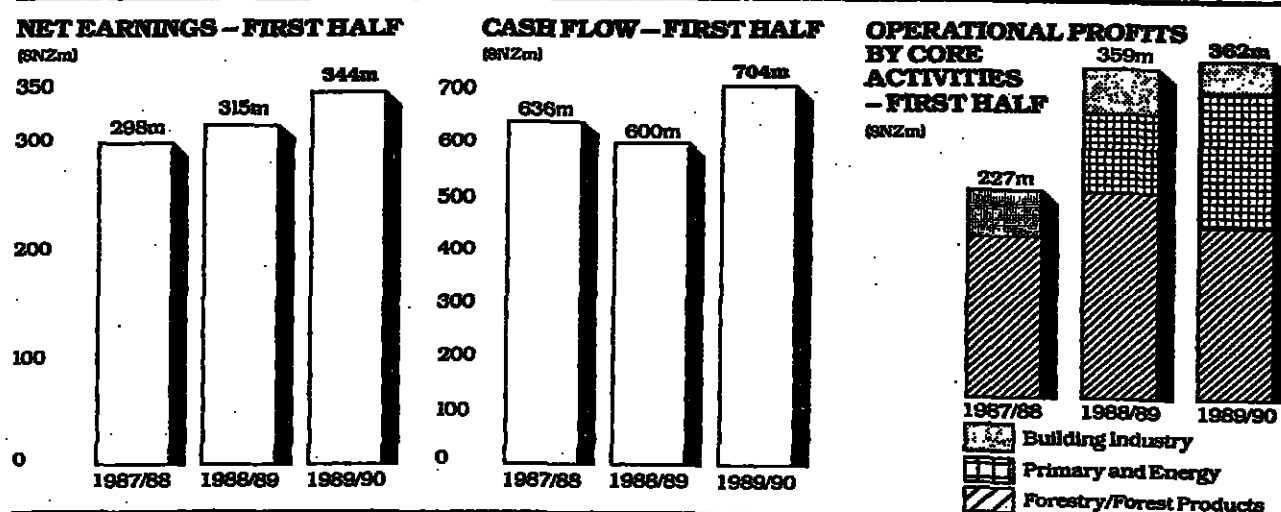
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*Six Months to 31 December	1989	1988	Percentage Change
Net Earnings After Tax (\$NZm)	\$344.1m	\$315.5m	+9.1%
†Earnings Per Share (adjusted)	29.7 cents	29.6 cents	+0.3%
†Dividend Per Share (adjusted)	11.5 cents	10.8 cents	+6.5%
Net Asset Backing Per Share	\$3.48	\$3.20	+8.8%
Debt: Equity Ratio	55:45	58:42	

*Interim figures unaudited †Adjusted for rights issue

Highlights of the Half-Year

- Acquisition of U.K. Paper Plc.
- First tranche of 1989 cash issue raises NZ\$343 million.
- Record earnings by Primary and Energy group.
- Continued divestment of non-core activities realises NZ\$200 million.

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INTERNATIONAL COMPANIES AND FINANCE

Commodity operations in London wind down

By Deborah Hargreaves

DREXEL Burnham Lambert was yesterday winding down its substantial commodities operations in London as regulators stepped in to ensure the company does not take out new positions.

Drexel's presence was missing from trading pits across London's markets and although some Drexel traders continued to show up in New York and Chicago they found few parties to their trades.

Most markets in the US and London were only accepting liquidation orders from Drexel's traders.

Drexel is an important player in the New York oil market and one of seven market leaders at the London Metal Exchange. The firm was transferring its client business to other trading houses yesterday and said it would not take up its ring-dealing seat.

equivalent to a market-making position - on the LME.

It is the clearing houses in the US and the UK that carry the exposure for Drexel's trades as they stand as a guarantee between trading partners in the futures and commodity markets.

The International Commodity Clearing House in London said it was helping Drexel to manage its positions, which is seen by most market players as a euphemism for liquidating them. The London futures regulator is known to have a monitoring team at the firm to ensure it does not engage in new business.

The problems at Drexel are unlikely to affect private clients as the firm's client base is largely institutional.

Drexel is understood to have undertaken a fairly specialist business at the LME, where it transacted trades for the popular futures funds in the US.

Drexel is also pulling out of London's other commodity markets, including the Futures and Options exchange's automated white sugar market, where it was a key player among only 10 screen traders.

US regulators content to contain Drexel fall-out

By Janet Bush in New York

US REGULATORS decided to allow Drexel Burnham Lambert to fail, concerning themselves only with containing any potential ripple effect on the soundness of the financial system.

Officials from the US Federal Reserve and the Securities and Exchange Commission were alerted to Drexel's liquidity problems late last week when they discovered that excess capital was being moved into the parent company from its broker-dealer subsidiary.

At a meeting last Friday, which brought in representatives from the New York Stock Exchange, regulators ordered a halt to this transfer of capital.

The SEC, which believed to have repeatedly asked Drexel to mark down the value of its junk bond portfolio and therefore played a part in precipitating the cash crisis, gave Drexel special permission on Monday to pay off \$30m of commercial paper by syphoning off cash from the broker-dealer.

But on Tuesday it refused permission when about \$150m in obligations came due.

Reports suggest that regulators did not try to arm-twist Drexel's commercial banks into putting up emergency funds to keep the company in business.

The relative equanimity with which regulators allowed Drexel to fail has prompted differing opinions. Some economists, such as Mr Bluford Putnam, of Kleinwort Benson Securities, believe the Washington regulatory establishment, long concerned about the economic consequences of the use of junk bonds and intensely critical of Drexel's methods in expanding the market, look on the failure, if not with spite, then with an element of glee.

Others believe that regulators had no obligation to save Drexel but only to control potential damage to the system.

A number of interesting points arise from the Drexel case. First, the decision to allow a big financial institu-

tion to collapse casts doubt on a long-held belief that "some firms are too big to fail."

Mr Rob Johnson, former chief economist for the Senate Banking Committee, said there was a "moral hazard risk" among regulators that, if they were seen to be prepared to save every firm in trouble, companies would behave in a riskier way.

Allowing Drexel to fail set a certain tone which would encourage prudence.

The second point to emerge this week relates to the fact that parent or holding companies of securities companies are not regulated, although they could have an enormous potential impact on the financial system if distressed. The fact that Drexel's troubles resided in the holding company will revive debate about this regulatory loophole.

A third aspect is the fact that, since the 1987 stock market crash, regulators have clearly put in place procedures for swift and close co-operation with each other.

per cent of GBL's profits in Drexel's heyday in the mid-1980s. It was one of the best decisions made by Baron Leon Lambert, GBL's late founder, when he invested \$40m in William D Witter, which became part of Drexel in the mid-1970s.

On the Belgian stock market the shares fell by Bfr130 to Bfr3940, having fallen nearly 7 per cent on Tuesday. However, analysts reckoned the reaction would have been much larger if it had not been for steady state-building in the company by Belcofi, a Flemish investment company involved in 1988 in the battle for Société Générale de Belgique.

As a result of the write-off the consolidated profit of the company for 1989 will be cut almost in half from Bfr7.5bn to Bfr4.1bn.

It will no longer have to consolidate future losses and will have no further obligations. This came as a consolation to the market yesterday, which had feared that GBL might be forced to pay its share of Drexel's financial and legal difficulties.

The decision brings to an unhappy and an investment that accounted for nearly 50

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Creditors in emergency talks over \$1.5bn debt

By Alan Friedman in New York

DREXEL Burnham Lambert's 12 leading US and Japanese commercial bank creditors, which are owed around \$1.5bn in loan repayments, were engaged yesterday in what one senior New York banker termed "a 24-hour-a-day fire drill."

The banks pulled the plug late on Monday evening during a meeting with Mr Fred Joseph, Drexel's chief executive, when it became clear that the securities firm did not have the collateral to justify an emergency new loan of more than \$400m.

On Tuesday morning, several hours before Drexel filed for bankruptcy, the firm said it had defaulted on \$100m worth of loans. But, according to bankers involved in the Drexel affair, the actual obligations that came due on Tuesday were \$150m.

This includes \$90m worth of commodity-related funds, needed because Drexel customers asked for their collateral back, some \$30m of commercial paper that needed to be rolled over and a further \$30m in other short-term obligations.

Drexel's actual bank debt amounts to around \$200m to \$300m at the level of the holding company, and a further \$1.25bn to \$1.5bn at the firm's broker-dealer subsidiary, which has not filed for bankruptcy. Among the bank creditors are Citicorp, Chemical Bank, J.P. Morgan and several Japanese institutions.

One senior banker involved in the emergency action "fire drill" claimed that the bank loans were sufficiently backed by collateral in the form of securities, including Drexel's estimated \$1.3bn of junk bonds.

What these bonds are worth is an open question, but the banker stressed that "none of us were lending to Drexel at face value anyway, so the collateral should be proportionate to the debt."

Net earnings for the three months ended December 31 were \$150.6m or \$1.35 a share against \$209.1m or \$1.85 in 1988.

Revenues grew 20 per cent to \$5.21bn from \$4.35bn. In 1989 as a whole, Aetna's net profits slipped 5 per cent to \$676.4m or \$6.02 from \$713.3m or \$6.25. Revenues grew to \$19.67bn from \$17.82bn.

The latest year's net included \$109m or 97 cents a share of realised capital gains and extraordinary tax benefits of \$37m or 33 cents from operating loss carryforwards.

Net corporate interest in 1989 was \$180.7m, a decline of 2 per cent from a year earlier, reflecting a reduction in the average portfolio balance of cash and marketable securities during the year.

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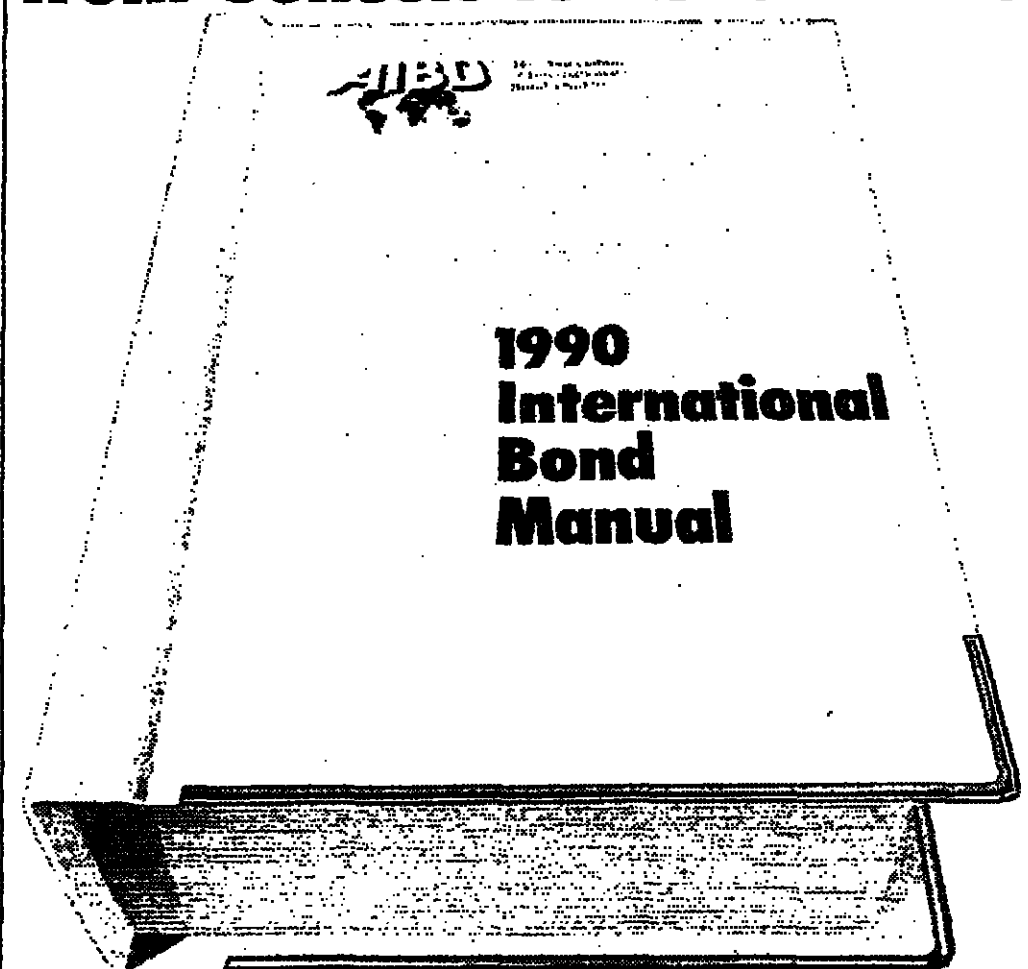
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It's not exactly the highest reading since the Dead Sea Scrolls.

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Margaret Wilkinson, AIBD (Systems and Information) Ltd, Seven Limeharbour, London E14 9NQ. Telephone: 01-538 5656 Fax: 01-538 4902. FT 152/90

Standard Bank predicts growth

By Jim Jones in Johannesburg

STANDARD BANK, one of South Africa's two largest banking groups, lifted assets and profits in 1989 despite the intensifying squeeze which has curbed economic growth, boosted interest rates and led to increased bad debts.

The group's total advances increased to R29.7bn (\$11.64bn) at the end of 1989 from R28.5bn a year earlier, total assets were R37.3bn against R29.7bn and the year's operating profit before tax rose to R530m from R406m. Dr Conrad Strauss, managing director, expects further real growth this year.

Advertising revenue lifts CBS

By Karen Zagor in New York

CBS, the US media group, yesterday reported a sharp rise in net earnings for the fourth quarter of 1989, reflecting higher advertising charges which helped the company's broadcast business.

CBS said net profits jumped 48 per cent to \$69.5m or \$2.31 a share, from \$46.1m or \$1.56 in the same period a year earlier. Net sales in the three months improved 12 per cent to \$665.8m from \$772.3m.

Income from continuing operations rose 49 per cent in the latest quarter to \$2.33 a share.

The company said earnings were lifted by results from its

broadcast group, where net sales advanced 12 per cent to \$894.8m and profits surged 88 per cent to \$60.3m from \$32.4m in the same period of 1988.

For the year the New York company reported a 5 per cent increase in income from continuing operations to \$297.1m or \$1.54 a share. However, net income plummeted 74 per cent to \$296.3m or \$1.51 a share, from \$1.15bn or \$44.75 a share a year earlier. Earnings for 1989 were distorted by a one-time after-tax gain of \$33.73 a share from the sale of CBS Records.

CBS said its broadcast group's sales grew 7 per cent in the year to \$2.96bn, while oper-

ating profits for the business jumped 97 per cent to \$294.6m. CBS Television Network, the second biggest TV network in the US, reported improved operating profits: CBS said the unit benefited from improved demand from advertisers and ratings gains in entertainment, sports and news. The previous year, a television writers' strike increased CBS network programming costs.

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Mayne Nickless interim climbs to A\$65.7m

By Our Financial Staff

MAYNE NICKLESS, the Australian transport and security group, pushed equity accounted net profits 17.2 per cent higher to A\$65.7m (US\$49.7m) in the first half to December and is lifting its interim dividend by a third.

The figures contrast sharply with those announced on Tuesday by its rival TNT where a hit by its half-owned ship of the then strike-bound Ansett Airlines - net earnings fell 41 per cent to A\$72m.

However, Mayne Nickless said the 1989 airline pilots' dispute "also had an effect and directly reduced profit after tax by an estimated A\$3.5m."

Revenues rose to A\$1.31bn from A\$1.14bn. Domestic and North American results were described as encouraging but in the UK the Parceline service suffered from expansion costs and Security Express was hampered by an increase in losses "due to armed hold-ups."

The interim dividend is 20 cents a share, up from 15 cents. Previous earnings figures have been adjusted to reclassify some extraordinary items as abnormal items, in line with a new accounting standard.

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Bankers Trust International Capital N.V.

(Incorporated in the Netherlands Antilles)
U.S.\$200,000,000

Guaranteed Floating Rate Subordinated Notes Due 1996

For the three months

16th February, 1990 to 16th May, 1990

the Notes will carry an interest rate of 8 1/8% per cent per annum and interest payable on the relevant interest payment date 16th May, 1990 will be

US\$208.59 per US\$100,000 note.

National Westminster Bank PLC

Group Treasury Settlements, London - Agent Bank

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Net corporate interest in 1989 was \$

POLLY PECK INTERNATIONAL (Finance) N.V.

(Incorporated in the Netherlands and having its registered office in Amsterdam)

U.S. \$110,000,000

7 1/4% Guaranteed Redeemable
Convertible Preference Shares 1994/2005

Guaranteed on a subordinated basis by and convertible into Ordinary Shares of



POLLY PECK INTERNATIONAL PLC

Shearson Lehman Hutton International

Barclays de Zoete Wadd Group Limited Nippon Kangyo Kakumaru (Europe) Limited
Standard Chartered Merchant Bank
Credit Agricole Daiwa Europe Limited
Dresdner Bank Aktiengesellschaft Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd. Nomura International
Salomon Brothers International Ssangyong Investment and Securities Co., Ltd.
Limited
S. G. Warburg Securities Yamaichi International (Europe) Limited

This announcement appears as a matter of record only, January 1990.

Calcined Coke Corporation

(majority owned by the Alexander Floersheim Trust)

has acquired the

Moundville Lake Calcing Plant

from

BP Oil Company

and entered into an operating joint venture with

Conoco Inc.

The undersigned arranged and provided financing to
Calcined Coke Corporation.



Bank of America

Bank of America NT&SA

NOTICE OF REDEMPTION



EUROPEAN INVESTMENT BANK
10% Bonds due 1993

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of June 30, 1988 by the European Investment Bank (the "Bank"), and Citibank, N.A., as Fiscal Agent, all outstanding bonds of the above issue (the "Bonds") will be redeemed on May 15, 1990 at the "Redemption Date" for the price of 101% of their principal amount, together with interest accrued to the Redemption Date. Payment will be made upon presentation and surrender of the Bonds at the below listed paying agencies, together with all appropriate coupons attaching subsequent to the Redemption Date. The amount of any interest, unaccrued coupons will be deducted from the sum otherwise due for payment. Interest on the Bonds shall cease to accrue on and after the Redemption Date. Payments will be made at any of the following paying agencies listed below:

For Registered Bonds Only:
Citibank, N.A.
Corporate Trust Services
111 Wall Street, 5th Floor
New York, N.Y. 10038
For Registered Bonds
and Bearer Bonds:
Caisse d'Epargne
288 Rue de la Loi
1. Place de Metz,
Luxembourg
Kreditanstalt S.A.
Luxembourgerstrasse
48, Bd. Royal
Luxembourg
Deutsche Bank AG
Grosse Gallienstrasse 10-14
6000 Frankfurt, Germany
Citibank, N.A.
Citibank House
208 Strand
London WC2R 1RB, England
Citibank Investment Bank
(Luxembourg) S.A.
18, Avenue Marie Theres
Luxembourg
EUROPEAN INVESTMENT BANK
Date: February 15, 1990

NOTICE
Withholding of 20% of gross redemption proceeds of any payment made within the United States shall be made by the Bank and Dividend Tax Compliance Act of 1983 use the Fiscal Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Payee furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting any securities.

Bank of America NT&SA

Notice to Noteholders

Prospect International
High Income Portfolio N.V.

Up to U.S. \$82,500,000
Senior Floating Rate
Notes due 1998
(of which U.S. \$41,250,000
has been issued)

Notice is hereby given that the Interest Rate for the period from 14th February, 1990 to 14th March, 1990 is 8.6125%. The Floating Rate Note Interest Amount payable on 14th March, 1990 is U.S. \$6.70 per U.S. \$1,000.

Bankers Trust
Company, London Agent Bank

Notice of Redemption

Engelhard Corporation
11% Notes due March 29, 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement, dated as of March 29, 1989, between Engelhard Corporation (the "Company") and The Chase Manhattan Bank (the "Bank"), all outstanding bonds of the above issue (the "Bonds") will be redeemed on March 29, 1992 at the "Redemption Date" for the price of 101% of their principal amount, together with interest accrued to the Redemption Date. Payment will be made upon presentation and surrender of the Bonds at the below listed paying agencies, together with all appropriate coupons attaching subsequent to the Redemption Date. The amount of any interest, unaccrued coupons will be deducted from the sum otherwise due for payment. Interest on the Bonds shall cease to accrue on and after the Redemption Date. Payments will be made at any of the following paying agencies listed below:

The Chase Manhattan Bank, N.A.
London Branch
25 Abchurch Lane
London EC4N 3DF, England
Hollandse Credietbank, N.V.
Havenweg 428
Amsterdam, The Netherlands
Citibank, N.A.
Citibank House
208 Strand
London WC2R 1RB, England
Citibank Investment Bank
(Luxembourg) S.A.
18, Avenue Marie Theres
Luxembourg
EUROPEAN INVESTMENT BANK
Date: February 15, 1990

Bank of America NT&SA

Notice to Noteholders

Banco Di Napoli
International S.A.

U.S. \$150,000,000
Floating Rate Notes 1999
For the six months 14th
February, 1990 to 14th August,
1990 the Notes will carry an
interest rate of 8 1/4% per
annum with a coupon amount
of U.S. \$4.22 per U.S.
\$10,000 Note, payable on 14th
August 1990.

Bankers Trust
Company, London Agent Bank

Notice to Noteholders

National & Provincial
Building Society

Issued of up to £200,000,000
Floating Rate Notes 1999
Notice is hereby given that for
the three months 9th February,
1990 to 9th May, 1990 the Notes
will carry an interest rate of
15 1/4% per annum with a coupon
amount of £371.85 per £10,000
Note and £3,718.49 per
£100,000 Note payable on 9th
May 1990.

Bankers Trust
Company, London Agent Bank

Shawmut Corporation
U.S. \$50,000,000
Floating Rate Subordinated Notes
Due 1997

Notice is hereby given that the rate of interest has been fixed at 8.75% and that the interest payable on the relevant interest Payment Date May 15, 1990 against Coupon No. 21 in respect of US\$10,000 nominal of the Notes will be US\$216.32.

February 15, 1990 London
By: Citibank, N.A. (CSI Dept.), Agent Bank

CITIBANK

COMMERZBANK OVERSEAS FINANCE N.V.
U.S. \$200,000,000
Floating Rate Notes Due 1993

In accordance with the provisions of the Notes notice is hereby given that for the six months period from February 14, 1990 to August 14, 1990 the Notes will carry an interest rate of 8 1/4% per annum with a coupon amount of U.S. \$4.22 per U.S. \$10,000 Note, payable on August 14, 1990.

Frankfurt/Main, February 1990
COMMERZBANK
AKTIEGESELLSCHAFT

**Banco Di Napoli
International S.A.**
U.S. \$150,000,000
Floating Rate Notes 1999

For the six months 14th
February, 1990 to 14th August,
1990 the Notes will carry an
interest rate of 8 1/4% per
annum with a coupon amount
of U.S. \$4.22 per U.S.
\$10,000 Note, payable on 14th
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Bankers Trust
Company, London Agent Bank

**National & Provincial
Building Society**
Issued of up to £200,000,000
Floating Rate Notes 1999

Notice is hereby given that for
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1990 to 9th May, 1990 the Notes
will carry an interest rate of
15 1/4% per annum with a coupon
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Note and £3,718.49 per
£100,000 Note payable on 9th
May 1990.

Bankers Trust
Company, London Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Foreign production soars at Toyota

By Robert Thomson in Tokyo

TOYOTA Motor, the Japanese auto maker, yesterday reported a 26.1 per cent increase in pre-tax profit to ¥299.9bn (¥2.3bn) in the first half to December. There were surges in foreign production and exports of components for its output abroad. In announcing the results, company executives said that a site for a new factory in Japan was being considered, but production numbers had not been decided. The Ministry of International Trade and Industry

(MITI) has warned car makers to temper domestic production plans for fear that exports of excess capacity could increase trade tensions. Mr Tsutomu Oshima, Toyota's vice chairman, said that, although MITI was "not wrong" in advising caution, Toyota was responsible for its own future and "we are not in a position to receive very minute instructions from government authorities." Total vehicle production for

the six months was 1.92m units, a fall of 1.6 per cent, although the number produced overseas rose by 104.7 per cent to 273,924 units and the value of component sales for overseas production rose 142.3 per cent to ¥196.3bn. The home market has been particularly strong; Toyota's sales there rose 9 per cent to 1.16m units. Exports for the period fell 15.3 per cent to 766,606 units, due to the impact of increased production

abroad. Vehicle sales made ¥2,630bn, up 0.3 per cent, while total sales, including those of industrial machinery and houses, rose 6.7 per cent to ¥3,744bn. Mr Oshima said that domestic demand should continue at current high levels, although "the overseas market for the Japanese automobile industry is likely to remain harsh, reflecting uncertainty regarding the future direction of the US and European economies."

Fletcher shows surprise growth

By Terry Hall in Wellington

FLETCHER CHALLENGE, New Zealand's biggest company, overcame sharp setbacks in its forestry, pulp and paper earnings to report a 9 per cent rise in net profits to NZ\$344.1m (US\$205m) for the six months to December. The result was added by a surprisingly strong performance from its New Zealand operations. The company had been expected to report flat earnings based on the prediction of Sir Ronald Trotter, the chairman, at the annual meeting that full-year earnings would be undercut from last year's record NZ\$683m. Mr Hugh Fletcher, chief executive, told a news conference yesterday that the forecast still stood, because there were so many uncertainties. He later amplified this, saying that the result would be within 5 per cent of the estimate. The forecast was based on an expectation that the first half of the year would be better than the second. Mr Fletcher said that the group was watching the troubled corporate scene in Australia closely for opportunities, and had examined buying Brick and Pipe, the building materials business owned by troubled entrepreneur Mr Abe Goldberg. This would be in line with Fletcher's aim to expand internationally in sectors in which it had strong representation and expertise at home. However, the company would take a more conservative operating line over the next six months because of the shaky performance of Australian stock markets. Fletcher was aiming for an investment grade rating for its core borrowings, to enable it to use funding sources other than banks. Sales totalled NZ\$6.6bn, up 24 per cent. Tax took NZ\$105.3m against NZ\$74.8m and extraordinary items produced a loss of NZ\$17.4m against NZ\$4.3m. The interim dividend will be an unchanged 11.5 cents a share. Domestic operations provided 59 per cent of the earnings, compared with 48 per cent last year. Mr Fletcher said the group had been surprised by the good performance and growth at

home. He added that this was possibly because the company "has more confidence in New Zealand than other companies and had invested here when others had not." He expected that the economy would show small growth this year. The company's huge involvement in international pulp and paper proved costly. Profits from the paper division fell to NZ\$80.7m from NZ\$97.8m and pulp to NZ\$80m from NZ\$101.6m. Mr Fletcher blamed falling newspaper prices, the strong Canadian dollar and disruptions due to plant modernisation. He said that UK Paper, the recently acquired British high-grade paper producer, was likely to produce a "mildly negative" result for the full year's funding costs. The New Zealand earnings were buoyed by a NZ\$53m five-month contribution from Rural Bank, which Fletcher bought from the Government last year for NZ\$550m. Mr Fletcher said the bank was still expected to contribute NZ\$70m for the year after deducting interest costs.

Bid shunned at Chinese Estates

By Michael Murray in Hong Kong

MINORITY shareholders in Chinese Estates, a Hong Kong listed property company, yesterday voted against an offer from Evergo International, its parent, to take the company private. They voiced dissatisfaction with the HK\$2.50 per share offer price, which was pitched at a 50 per cent discount to estimates of the company's net asset value. The move underlines a new-found willingness by minority interests in Hong Kong to scrutinise and oppose moves by majority shareholders. The key to the failure of the Evergo offer was the opposition of Asia Securities International, the company controlled by Australian entrepreneur Mr Bill Wyllie which owns around 7 per cent of Chinese Estates. Mr Wyllie met Evergo executives earlier in the week to make clear his opposition to the offer price, and suggested a special dividend payment as a sweetener. But the Lam brothers who control Evergo, which holds 58.3 per cent of Chinese Estates, refused to raise their offer, having lifted it twice since making the HK\$2.50 a share bid in December. The main asset of Chinese Estates is Windsor House, an office block bought for HK\$1.6bn (US\$205m) in September 1987. It was valued at HK\$3.85bn last year. Speculation about interest in the property helped convince minorities to block the offer.

Sumitomo Chemical pre-tax rises 18%

By Robert Thomson

SUMITOMO Chemical of Japan yesterday announced an 18 per cent rise in pre-tax profit to ¥48.4bn (¥500m) on an 8 per cent increase in sales to ¥601.7bn in the year ended December. The company said sales of basic chemicals rose 3 per cent to ¥387.4bn, despite reduced production resulting from planned maintenance of facilities. Sales of specialty chemicals also increased by 5 per cent to ¥196.4bn. Cost of petrochemical production increased with a rise in prices of raw materials. The company said research and development expenditure also increased, although these costs

were compensated for by strong sales, which were partly due to the inclusion of ¥17.8bn in sales from an aluminium subsidiary amalgamated in October. For the current year, the company expects sales of ¥670bn, an increase of 11.4 per cent, and a pre-tax profit of ¥45bn, up 3.7 per cent.

INTERNATIONAL APPOINTMENTS

Helmsman at Parsons to retire

THE US-based Parsons Corporation, a worldwide engineering and construction group, announced that Mr William Leimhard, chief executive and board chairman, plans to retire on May 15. Mr Leimhard, who is 74, has led the company since 1974 and was responsible for its diversification into a wide variety of engineering fields which helped it weather the petroleum industry downturn of the mid-1980s. He also took Parsons private in 1985 in what, at that time, was the largest employee buy-out of a publicly held concern in US history. The selection of a new helmsman will be made from the company's senior officers and the board will name the successor in March. Among its many notable pro-

jects, Parsons designed and is still the general engineering consultant on the award winning 103-mile Washington, D.C., Metrolink system. Parsons is responsible for about 70 per cent of the oil and gas facilities associated with resource development in Alaska's North Slope region. In Yanbu, Saudi Arabia, the company is constructing a multi-billion dollar industrial city.

Former Dutch finance minister to be Unilever NV advisory director

UNILEVER NV, Netherlands segment of the Anglo-Dutch food and consumer products group, has appointed Mr H. Omo Ruding, 50, the former Dutch Minister of Finance, as one of two new advisory directors as from May this year. Mr Ruding, however, who left government when a centre-left coalition took over from the previous centre-right administration in the Netherlands last October, will still be the Dutch Government's candidate to head a proposed new East European development bank, the Dutch Finance Ministry has confirmed. The other new advisory director will be Mr F.H. Fenneker van Vilsingen, 56, vice chairman of the supervisory board of SHV, the large privately-held Dutch energy and consumer goods concern. The two new advisers will succeed Mr B.W. Biesheuvel and Mr E.P. Wellenstein, who are retiring. Mr Robert Matt, chairman and chief executive of Dutch go-based FMC Corporation, one of the world's leading producers of machinery and chemicals for industry, announced the planned appointment from March 1 of Mr Robert Burt as president in succession to Mr Raymond Tower. Mr Matt plans to recommend Mr Burt's election to the company's directors at a board meeting tomorrow. Mr Tower is retiring from FMC after 44 years' service. He has been president and chief operating officer since 1977. Mr Burt, 52, joined FMC in 1973 and moved through several management positions

before becoming a vice president in 1978. He was elected in 1988 to his current post of executive vice president. MORGAN Guaranty Trust of New York, the large banking subsidiary of J.P. Morgan, announced the appointment of Mr Benoit Dumont, vice president, as head of the commercial division at the Euroclear Operations Centre in Brussels. He succeeds Mr David Burrows, senior vice president, who assumes new duties at J.P. Morgan's private banking division in New York. The Euroclear System, operated under contract by Morgan Guaranty in Brussels, is the world's largest clearance and settlement system for internationally traded securities. Mr Dumont joined Morgan Guaranty in 1978 in Brussels.

Adviser for Hong Kong Exchange Fund

By Michael Murray

PROFESSOR Charles Goodhart has been appointed to the advisory committee of Hong Kong's Exchange Fund, the government institution which manages the Colony's foreign currency reserves and intervenes to control the money supply. He is professor of banking and finance at the London School of Economics, and was formerly chief economic adviser to the Governor of the Bank of England. In 1983, he helped advise upon the establishment of the linked exchange rate system for Hong Kong, which has since then the Colony's currency to the US dollar.

Raychem top posts

AT RAYCHEM, the US-based materials application specialist, Mr Robert Salchik will become president and chief executive officer on April 1. Mr Paul Cook, the company founder, will relinquish the post of chief executive but remain chairman. Mr Robert Halperin will step down as president and chief operating officer to be vice chairman. Mr Salchik, 56 and presently a senior vice president, has been with Raychem since 1984.

NOTICE OF REDEMPTION

Engelhard Corporation
11% Notes due March 29, 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement, dated as of March 29, 1989, between Engelhard Corporation (the "Company") and The Chase Manhattan Bank (the "Bank"), all outstanding bonds of the above issue (the "Bonds") will be redeemed on March 29, 1992 at the "Redemption Date" for the price of 101% of their principal amount, together with interest accrued to the Redemption Date. Payment will be made upon presentation and surrender of the Bonds at the below listed paying agencies, together with all appropriate coupons attaching subsequent to the Redemption Date. The amount of any interest, unaccrued coupons will be deducted from the sum otherwise due for payment. Interest on the Bonds shall cease to accrue on and after the Redemption Date. Payments will be made at any of the following paying agencies listed below:

The Chase Manhattan Bank, N.A.
London Branch
25 Abchurch Lane
London EC4N 3DF, England
Hollandse Credietbank, N.V.
Havenweg 428
Amsterdam, The Netherlands
Citibank, N.A.
Citibank House
208 Strand
London WC2R 1RB, England
Citibank Investment Bank
(Luxembourg) S.A.
18, Avenue Marie Theres
Luxembourg
EUROPEAN INVESTMENT BANK
Date: February 15, 1990

Bank of America NT&SA

Wells Fargo & Company

U.S. \$200,000,000

Floating Rate Subordinated Capital Notes due 1998

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 15th February, 1990 to 15th May, 1990 the Notes will carry an interest rate of 8 1/4% per annum. Interest payable on the relevant interest payment date 15th May, 1990 will amount to US\$210.14 per US\$10,000 Note.

Agent Bank:
Morgan Guaranty Trust
Company of New York
London

COMPAGNIE DE SAINT-GOBAIN

Issuance of three participations
ECU 100,000,000 with warrants

For the period of remuneration ending on AUGUST 10, 1990 a T.M.O.P. of 10.5% per cent or an ECU LIBOR of 11.5% per cent will be used to calculate the coupon. This coupon payable on AUGUST 10, 1990 will not be less than ECU 6.00 per participation of ECU 1,000 including for the period an annual rate of 11.5% per cent. Definitive coupon will be known after publication of the net consolidated income for 1989.

NOTICE

U.S. \$150,000,000
Second Subordinated Floating Rate Notes due 2004
Interest Rate 8 1/4% p.a. Interest Period February 15, 1990 to August 15, 1990. Interest Payable per US\$10,000 Note US\$210.14.

February 15, 1990 London
By: Citibank, N.A. (CSI Dept.), Agent Bank

INTERNATIONAL CAPITAL MARKETS

Anger at Bankers Trust over defector to CSFB

Allen Wheat tells Stephen Fidler about his move to CS First Boston's Pacific subsidiary in Tokyo

When Mr Allen Wheat, chairman of Bankers Trust International, left the office last Friday, he hinted to colleagues that he might take this week off to go skiing.

At about 2pm London time on Monday, he telephoned the chairman of Bankers Trust in New York, Mr Charles Sanford, and quit. The press releases announcing that he was joining CS First Boston to run its Pacific subsidiary based in Tokyo were sent out two hours later.

The manner of the 41-year-old's departure from Bankers Trust, where he had worked for nine years, has enraged many of his former colleagues.

However, that was not the worst of it: Mr Wheat, closely identified with Bankers Trust's shift over the last nine years from a retail bank to a highly-reputed merchant banking operation, was taking a dozen colleagues with him. Six of Bankers Trust's London team had defected with the rest moving over in Tokyo.

The view of competitors was that CS First Boston had carried off a coup in stealing the highly-regarded Mr Wheat and a strong team, with skills in long-term financing, capital markets and the derivative products area, with particular strength in equity-related products.

Part of Mr Wheat's job will be building a worldwide swaps operation. Mr Jack Hennessy, CS First Boston's chairman, said: "The global swaps and derivatives business has been a missing link in tying our group together."

Moreover, the move looks to be a severe setback to Bankers

Trust's worldwide merchant banking operation. In spite of its lack of a strong presence in the underlying equities business, Bankers Trust built itself a special niche in, for example, covered warrants and other innovative and complex financials.

It follows a damaging blow

Bankers Trust is learning the truth of the cliché that a merchant bank's most important assets are its people; and they can always choose to work elsewhere.

To the other side of its business in London, following from the financial troubles of Magnet. The kitchen group undertook last year a large leveraged buy-out, structured by Bankers Trust, which came unstuck in months.

The bank, viewed as having been hindered by the lucrative fees to the sales of bringing US-style financing techniques to Europe, has already had to put in place provisions for its loans to Magnet.

Mr Wheat said yesterday that there was no "team" defection to CS First Boston. His move will give him a guarantee for one year that he will equal last year's salary at Bankers Trust, plus a bonus, presumably plus a share in the firm's profits.

He is known as an individual who commands close loyalty among colleagues. He hired many of the others who are moving, including Mr Chris Goeckjan and Mr Brady Dougan, managing

directors of long-term finance in London and Tokyo respectively.

Given his background, CS First Boston's strategy in the far East becomes clearer. It has taken 18 months since its corporate reorganisation for it to announce a new head for its Asian subsidiary. Informal discussions between Mr Wheat and Mr Hans-Jörg Rudloff, who will be his counterpart at the London subsidiary, began several months ago.

Already a member of the Tokyo stock exchange, the firm will hope to use the skills of its team to generate derivative business, much as Bankers Trust has in London, particularly in the equities area. The aim is ultimately to put the firm in the middle of equity investment flows in and out of Japan. It will also attempt to use its skills to help equity-related business in developing markets in the Far East such as Indonesia.

For Bankers Trust, it remains to pick up the pieces and rebuild damaged morale. A spokesman said that Mr Eugene Shanks, head of global markets in New York, will take over from Mr Wheat for an interim period.

"The bank is bigger than a few people and we've already identified who will take up the new positions internally. It's an opportunity for others," said the spokesman.

Mr Wheat says the bank has depth enough to bounce back quickly from the defections. However, Bankers Trust is learning the truth of the cliché that a merchant bank's most important assets are its people; and they can always choose to work elsewhere.

Jones Lang Wootton and US Pru in \$2bn scheme

By Paul Cheeseright, Property Correspondent

THE Prudential Insurance Company of the US and Jones Lang Wootton, the UK firm of property advisers, have linked with seven other financial institutions across the world to start a \$2bn property investment programme.

This is the first excursion of Prudential Insurance on to the international property markets. Although its managers a \$45bn portfolio in the US, its property investment previously has concentrated on the domestic market.

US institutions, in the last two years especially, have adopted an increasingly international approach to investment generating funds. At the same time the property market has become more fluid with investment funds moving across national borders.

Prudential Insurance, Nationale-Nederlanden, Australian Mutual Provident Society, the Government of Singapore Investment Corporation, SPT of Sweden and three anonymous institutions - possibly Japanese - are each subscribing \$250m of equity to the Prudential Real Estate Investment Programme.

Jones Lang Wootton said yesterday it hoped four additional subscribers would be able to take part in the fund, bringing its capital up to \$3bn.

The buying programme and the management of the properties after their acquisition will be carried out by a partnership, set up by Prudential Insurance and Jones Lang Wootton, called Global Realty Advisors and based in Bermuda.

The first property purchases are likely to be in Frankfurt, London, Paris, Sydney and Toronto. Investments will generally be held for 10 to 15 years and there is no intention of setting up a property trading operation.

The Prudential programme is the second large institutional property investment fund to start this year. Earlier Credit National of France said it is leading institutions forming a fund in Europe. The fund will have a potential investment capacity of \$1.5bn set up to invest in European property.

Matif and Liffe launch new option

By Deborah Hargreaves

COMPETITION between the London International Financial Futures Exchange (Liffe) and France's Matif heated up yesterday with an announcement by both exchanges that they will list an options contract on their Euro-mark futures contracts.

Both exchanges have been competing on Euro-mark futures since their inception last year. Liffe has beaten the Matif on a launch date for the option which will start up on March 1. The Matif starts its option at the beginning of April.

Liffe's Euro-mark futures contract has got off to a quicker start than Matif's, with Liffe's trading just over 150,000 contracts a month. Liffe also lists the Euro-mark contract on its APT electronic trading system where it has been trading around 500 lots an evening.

Guinness Mahon forges links with Yokohama bank

By Andrew Freeman

THE BANK of Yokohama and Guinness Mahon have formed a joint venture leasing company called Guinness Yokohama Leasing. The company will provide leasing and asset finance facilities principally for the Japanese business community in the UK.

The group will work closely with the existing asset finance arm of Guinness Mahon. It will also provide vendor financing schemes to help sales of Japanese capital equipment in the UK. Guinness Mahon is the UK merchant banking arm of Bank of Yokohama.

Royal Insurance, the UK insurer, announced a \$100m three-year revolving credit facility, to be arranged and syndicated by Barclays Bank. The programme will be used for general corporate purposes and will act as a standby facility to support existing commercial paper programmes.

Daiva Securities, one of the big four Japanese securities houses, has announced that the Hungarian stock exchange in Budapest has asked it for advice on preparations to reopen in March. Kenter reports from Tokyo.

The co-operation will initially focus on bringing house employees to Tokyo for training.

NEW ISSUE

14th February, 1990



HONDA MOTOR CO., LTD.

(Honda Giken Kogyo Kabushiki Kaisha)
(Incorporated with limited liability under the Commercial Code of Japan)U.S. \$300,000,000
9½ per cent. Bonds 1997

ISSUE PRICE 101¼ PER CENT.

Nomura International
Bank of Tokyo Capital Markets Group
BNP Capital Markets Limited
Daiva Europe Limited
Merrill Lynch International Limited
J. P. Morgan Securities Ltd.
Paribas Capital Markets Group
Tokai International Limited

The Nikko Securities Co., (Europe) Ltd.
Barclays de Zoete Wedd Limited
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
Mitsubishi Finance International plc
Morgan Stanley International
Salomon Brothers International Limited
UBS Phillips & Drew Securities Limited

This announcement appears as a matter of record only.

January, 1990

Johnson & Johnson

Lit. 100,000,000,000
127/8 per cent. Notes due 1993

Issue Price 101.45 per cent.

Istituto Bancario San Paolo di Torino

Merrill Lynch International Limited
Banca Commerciale Italiana
Banca Nazionale del Lavoro
Banco di Napoli
Banco di Roma
Bankers Trust International Limited
Credito Italiano
Italian International Bank plc
(Monte dei Paschi di Siena Banking Group)
UBS Phillips & Drew Securities Limited

Amsterdam-Rotterdam Bank N.V.
Banca d'America e d'Italia
Banca del Gottardo
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Compagnie Monégasque de Banque
Crédit Communal de Belgique S.A.
Euro-mobiliare
Fuji International Finance Limited
Generale Bank
IMI Capital Markets (Luxembourg) SA
Kreditbank International Group
Mitsubishi Finance International plc
Sanpaolo-Lariano Bank S.A.
Sant'Anna Bank A/S
Sumitomo Finance International
Swiss Bank Corporation
Westdeutsche Landesbank
Yasuda Trust Europe Limited

SNPAIO

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR	Issued	Rate	Yield	Change
Austria 9 1/2	140	100/102 1/2	+0.12	0.20
B.C.E. 8 1/2	175	97 1/2	+0.04	0.04
B.C.E. 9 1/2	180	100/101 1/2	+0.04	0.04
B.C.E. 10 1/2	220	101 1/2	+0.04	0.17
Canada 9 1/2	1000	101 1/2	+0.04	0.04
C.E. 9 1/2	1000	101 1/2	+0.04	0.04
C.E. 10 1/2	1000	101 1/2	+0.04	0.04
C.E. 11 1/2	1000	101 1/2	+0.04	0.04
Credit National 7 1/2	100	97 1/2	+0.04	0.04
Credit National 8 1/2	100	97 1/2	+0.04	0.04
Credit National 9 1/2	100	97 1/2	+0.04	0.04
Credit National 10 1/2	100	97 1/2	+0.04	0.04
Credit National 11 1/2	100	97 1/2	+0.04	0.04
Credit National 12 1/2	100	97 1/2	+0.04	0.04
Credit National 13 1/2	100	97 1/2	+0.04	0.04
Credit National 14 1/2	100	97 1/2	+0.04	0.04
Credit National 15 1/2	100	97 1/2	+0.04	0.04
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Credit National 17 1/2	100	97 1/2	+0.04	0.04
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Credit National 98 1/2	100	97 1/2	+0.04	0.04
Credit National 99 1/2	100	97 1/2	+0.04	0.04
Credit National 100 1/2	100	97 1/2	+0.04	0.04

US DOLLAR					Change in				
STRAIGHTS	Issued	Rate	Offer	Yield	Rate	Offer	Yield	Rate	
Austria 9 1/2	140	100/102 1/2	+0.12	0.20	100	96 1/2	-0.04	0.04	
B.C.E. 8 1/2	175	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
B.C.E. 9 1/2	180	100/101 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
B.C.E. 10 1/2	220	101 1/2	+0.04	0.17	100	97 1/2	+0.04	0.04	
Canada 9 1/2	1000	101 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
C.E. 9 1/2	1000	101 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
C.E. 10 1/2	1000	101 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
C.E. 11 1/2	1000	101 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
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Credit National 9 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
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Credit National 36 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
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Credit National 39 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 40 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 41 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 42 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 43 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 44 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 45 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 46 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 47 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 48 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 49 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 50 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 51 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 52 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 53 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 54 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 55 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 56 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 57 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 58 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 59 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 60 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 61 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 62 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 63 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 64 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 65 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 66 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 67 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 68 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 69 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 70 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 71 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 72 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 73 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 74 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 75 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 76 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 77 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 78 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 79 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 80 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 81 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 82 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 83 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 84 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 85 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 86 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 87 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 88 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 89 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 90 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 91 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 92 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 93 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 94 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 95 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 96 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 97 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 98 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 99 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 100 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 101 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 102 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 103 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 104 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 105 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 106 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 107 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 108 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 109 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 110 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 111 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 112 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 113 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 114 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 115 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 116 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 117 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 118 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 119 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 120 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 121 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 122 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 123 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 124 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 125 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 126 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 127 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 128 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 129 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 130 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 131 1/2	100	97 1/2	+0.04	0.04	100	97 1/2	+0.04	0.04	
Credit National 132 1									

INTERNATIONAL CAPITAL MARKETS

World Bank issue well received

By Stephen Fidler, Euromarkets Correspondent

THE WORLD Bank yesterday launched the second of its global bond issues, a \$1.5bn, seven-year issue, to a positive reception.

The issue, the first to be traded in the new issue markets in Tokyo, London and

INTERNATIONAL BONDS

New York, will be finally priced this afternoon by lead managers Morgan Stanley and Goldman Sachs, after investors worldwide have been canvassed on their views.

The indicated interest spread over the seven-year US Treasury issue was 35 to 38 basis points, but the strength of demand was such that the maximum margin on the issue will be 35 basis points.

A margin of less than that is being considered, given that initial indications show the issue being oversubscribed several times. The previous global issue, for \$1.5bn over 10 years and launched in September, was bid yesterday at a spread of 41 basis points over the 10-year Treasury.

When the second issue was

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount m.	Coupon %	Price	Maturity	Yield	Book number	Lead manager	Book number	Lead manager
US DOLLARS									
Stand. Credit Cards Int'l 1990	500	8	98.44	1995	8 1/8	Salomon Brothers			
Stand. Credit Cards Int'l 1990	110	9 1/8	98.47	1995	9 1/8	Salomon Brothers			
Sanicor Int'l (Chile) 1990	30	10	100	2004	2 1/2	Salomon Brothers			
Mirco Int'l (Bolivia) 1990	30	10	102	2000	2 1/4	Mitubishi Finance Int.			
SWISS FRANKS									
Kyushu Electric Power (K) 1990	150	7 1/2	101 1/2	2000	2 1/4	SBC			
YEN									
Toronto-Dom. Bk (Cayman) (C) 1990	1bn	8	100 1/2	1991	8 1/2	Toyo Trust Int.			
AUSTRIAN SCHILLINGS									
National Bank of Hungary (C) 1990	1bn	9 1/2	98.45	1997	n/a	Creditanstalt-Sankovalein			

floating rate notes, convertible, a) Call from 1/1/92 at 104% declining 1% p.a. to par. Put March 1995 to yield 9 1/2%. Conversion period Sept 91-Nov 2004. b) Launched in three tranches: \$100m pays 3 1/2% over 6-month Libor first two years, then 10 1/4% fixed. \$50m pays 6 1/2% over 6-month Libor first two years, then 9 1/4% fixed. \$150m pays 9 1/4% fixed. One call only March 1992 at par. c) Non-callable. d) Redemption linked to Nikkei stock index.

first mooted earlier in the year, the bank seemed likely to choose a five-year maturity. In the event, market conditions were such that a seven-year issue proved possible. Five-year issues are generally easier to sell and there is a strong demand for such paper from central banks.

The longer-maturity suggests a better spread of investors. The seven-year maturity also allows the bank to price the issue at an issue price to Treasury paper of less than US agency paper, while still attracting European investors. In the five-year sector, where

agencies are trading at about

25 basis points above the Treasury, the spread would have been too tight to bring out much European demand.

Mr Don Roth, the World Bank's treasurer, said initial indications suggested that demand for the issue had been stronger for the second issue than for the first.

Yet there was some criticism

of a "semi-global" \$1bn deal for

Citigroup done by Salomon

Brothers, priced yesterday

afternoon. The deal was in two

tranches, backed by Citicorp

credit card receivables and

led mainly in the US but also

to Europe.

Some houses said the issue,

from European investors' point

of view, had several potential

drawbacks. It was not clearing

through one of the established

Euromarket houses and, like the

World Bank deal, was only in

registered form. Some would

also be confused, traders

suggested, by the so-called

"soft bullet" maturity.

The issue carries a senior/

junior structure with the

junior structure - \$100m

worth of debt sold mostly in

the US - guaranteeing payment

after five years of the

AAA-rated senior issue.

Yield in West Germany highest since 1982

By Deborah Hargreaves in London and Karen Zagar in New York

IT WAS another volatile day for the West German bond market yesterday as the average yield on bunds rose to 8.81 per cent, the market's highest level since September 1982.

Although the market opened

GOVERNMENT BONDS

slightly firmer, a short squeeze on the futures contract which saw a rush of selling at higher prices pushed bond prices back down again.

The futures contract on Liffe traded over 61,000 lots in another hectic day which saw futures prices closing lower at just under 83 after a close of 83.39 on Tuesday.

The Bundesbank's 10-year 7 1/2 per cent bond was fixed at 85.25 earlier in the day by Mr Karl Otto Pöhl, the Bundesbank president, said the Ger-

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week	Month
UK GILTS							
10.000 4/98	94-05	-1/32	12.28	12.31	12.04		
10.000 5/98	95-20	+5/32	11.26	11.29	11.02		
9.000 10/08	96-05	+5/32	10.32	10.35	10.06		
US TREASURY							
7.875 11/98	96-17	-7/32	8.40	8.41	8.18		
8.125 8/98	96-19	-7/32	8.43	8.41	8.18		
JAPAN							
No 119 4.500	96-09	-5/32	6.78	6.85	6.48		
No 2 4.700	96-07	-5/32	6.83	6.81	6.58		
GERMANY							
7.125 12/98	91-00		6.51	6.15	7.48		
FRANCE							
STAN 5.000	10/94	90-07	-1/32	10.30	10.27		
OAT 8.125	5/98	96-20	-1/32	10.30	10.27		
CANADA							
5.250 12/98	93-00	-1/32	10.28	10.18	9.81		
NETHERLANDS							
7.500 11/98	91-11	+1/32	6.89	6.57	8.12		
AUSTRALIA							
12.000 7/98	94-10	-6/32	13.08	12.73	12.97		

London closing. *Denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

man capital market's fears that unification could lead to higher inflation had been exaggerated. However, the issue traded lower towards the end of the day as volatility returned to the market.

but recovered as some retail

buying buoyed the market.

The benchmark long gilt 10.5

per cent closed 1/2 higher at

85.20 with a yield of 11.26 per

cent.

US Treasury bonds drifted lower yesterday in lacklustre trading without any unexpected economic news.

In the late afternoon, the Treasury's benchmark 30-year long bond was down 1/2 point at 100 1/2, yielding 8.41 per cent. Prices at the short end of the yield curve fared better, with the two-year bond off 1/4 point to yield 8.24 per cent.

Fed funds - the rate at which banks lend to each other - changed hands at 8 1/2 per cent through most of the day, and the Federal Reserve did not operate in the market.

The debt market absorbed the news of Drexel Burnham Lambert's bankruptcy protection filing, announced late on Tuesday, with equanimity.

DTI rules put more life into Liffe

Deborah Hargreaves explains a long-awaited break for unit trusts

The futures and options lobby which has fought London's labyrinthine tax and regulatory structures is about to receive a long-awaited reward from the Department of Trade and Industry.

The DTI's publication of an arcane interpretation of an EC directive is expected to give closed-end investment funds - traditionally unit trusts in the UK - more leeway over how they use derivatives markets.

The draft regulations, which the DTI is expected to publish soon, will also allow futures and options funds to become established in the UK.

London's markets are confident it will eventually attract investor interest in their products.

If these moves are accompanied by a change in tax status of derivatives in this year's UK Budget, as exchanges hope, it could significantly boost volume.

A recent growth surge for London's derivatives markets has boosted volume to a level where equity derivatives trade around 90 per cent of the value of the underlying cash market.

This still falls behind France where the futures market transacts 110 per cent of the cash market value and in the US the futures do 400 per cent of cash market value.

Regulatory changes in the UK will not boost volume overnight but they will provide the right climate for a drive to educate fund managers about derivatives.

Unit trusts can now only use futures and options for hedging purposes, but the DTI is expected to broaden their scope allowing them to employ derivatives strategies for "efficient portfolio management". The department's statement will for the first time



Michael Jenkins: expects wave of business into Liffe contracts

define efficient portfolio management.

Up till now, unit trusts have been required to hold the cash equivalent of a derivatives contract before employing a futures strategy to hedge that exposure.

Under the new definition, it is expected they will be allowed to make any transaction in derivatives without holding the underlying instrument as long as they hold cash to cover the investment in a derivative.

The DTI's statement will enable investment funds to become much more highly geared since futures offer a large exposure for a fraction of the cost of a cash instrument. In addition, the derivatives markets offer the sort of deep liquidity that enables funds to be much more flexible in their allocation of assets.

While the DTI's statement will give unit trusts more access to the derivatives market, few will be encouraged to use them until a confusing situation over the tax treatment of derivative products is clarified. A strong futures lobby is

hoping to see the tax status of derivatives changed in this year's budget.

The complex tax rules governing derivatives products often discourage some institutions from ever venturing into the markets at all. Unit trusts often have to give up their tax-exempt status when they become involved in derivatives transactions.

If the Inland Revenue was to class futures and options as investments in their own right, it could eliminate the complicated system of dual taxation that can exist for some investors in the markets.

If tax changes are made in the March Budget, and accompanied with the DTI's new interpretation of efficient portfolio management, the impact on London's derivatives markets could be quite significant.

Mr Michael Jenkins, chief executive at the London International Financial Futures Exchange believes the effect will be an accumulating wave of business into some of the exchange's contracts - particularly the FT-SE 100 index futures - as fund managers become more knowledgeable about derivatives.

Publication by the DTI of draft rules for futures and options funds will give another important fillip to London's derivatives markets.

The UK has not had a regulatory structure that allowed collective investment schemes in futures and options and as these funds have gained in popularity, business has moved offshore. In the US, futures and options funds have proved attractive to retail investors in recent years and there has been a rush to launch a variety of fund products.

Futures funds are a way for

small, private investors to gain access to the multi-billion dollar futures markets which they could not set foot in alone.

Funds will invest money across the markets and often guarantee a return of capital after a certain number of years accompanied by some of the high returns that can be gained from futures. Since these funds have been precluded from setting up in the UK, several UK companies have moved offshore to launch their funds. In a recent move, Mercury set up its £100m 90/10 fund in Luxembourg.

The Government has been aware of the loss of business caused by a lack of UK regulation for futures funds and the DTI's draft regulation is expected to give fund managers a chance to launch and market futures funds in the UK.

Conservative futures funds called 90/10 funds are popular in the US and are expected to sell well in the UK. The fund provides a guaranteed return of 100 per cent of the initial investment. As well as the capital, the fund can offer a high return to investors by splitting 90 per cent of its cash into money market investments and using the remaining 10 per cent to gain a wide exposure to the markets with the use of derivatives.

Since these funds invest across the board in derivatives, their launch in the UK could boost volume across London's commodity markets. "Funds provide a much safer opportunity for investors in a diversified fund investing in options portfolio," believes Mr Jenkins. For this reason, funds could bring the esoteric area of derivatives products much closer to the individual investor.

German equities 'due for fall despite slide in bunds'

PRICES in the buoyant German equity market are due for a fall in spite of the plunging German government bond market, according to London-based brokers, writes Rachel Johnson.

The reverse yield gap - which describes the inverted relationship between bond and equity yields - is currently very wide, reflecting the gains

made in the German stock market has to a great extent at the expense of government bonds.

Investors have pumped money into German construction, housing, and engineering companies since November last year, when East Germany announced it was opening its borders. The market has risen in value by 25 per cent since then, and the FAZ share index

was yesterday only 23.5 points off its high for the year yesterday, at 776.5.

But traders at UBS Phillips & Drew, the London stockbroker, will next week issue revised predictions for the year. They believe German bonds will be reaching in the summer of this year. On the basis of their predictions, the equity market is due for a re-rating.

Mr Steven Major, bond researcher, said that 10-year bunds - which have risen from about 7.2 per cent in November 1989 to 8.86 per cent yesterday - will carry on climbing in the near future.

With bonds at these yield levels, the old relationship between German bonds and equities "no longer holds," the stockbrokers say.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS									
Index No.	Day's Change	Est. Earnings Yield (%)	Gross Yield (%)	Est. P/E Ratio	Ytd. Adj. to Date	Index No.	Day's Change	Est. Earnings Yield (%)	Gross Yield (%)

1 Properties	149	24	148	29
2	1	1	1	1
3	15	63	75	94
	629		708	

LONDON RECENT ISSUES

LISTED

Last
Issue
Date

1989/90

High

Low

Stock

Closing
Price

per

Net
Div.

T/L

1

101

95

45

Advest New Ind. Inc.

35

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De. Warrants

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UK COMPANY NEWS

French acquisition confirms expansion track in lead up to 1992

Irish insurer sold for £107m

By Patrick Cockburn

ASSURANCE GENERALES de France, the fourth largest French insurance group, has agreed to buy the Irish business of the Insurance Corporation of Ireland for £107m (£100m).

The corporation has been administered by the Irish courts since 1985 after its London office made losses of some £200m in 1980-84.

Under the terms of yesterday's agreement Mr William McCann, the court appointed administrator, retains responsibility for the corporation's London office and the run-off stemming from claims on discontinued business.

The move by AGF confirms the determination of French

insurance companies to expand in the lead up to the European single market. Last year AGF, which has a premium income of FF 32.8bn, acquired NEM, a small UK mutual insurer and has also taken significant stakes in Assael of Belgium and Milanese Assicurazione of Italy.

The Irish government has formally given its consent to the deal though it must still be approved by the High Court. Mr Desmond O'Malley, the Minister for Industry and Commerce, said the Government would provide AGF and the High Court with necessary assurances about the run-off of remaining liabilities dating from before 1985.

Mr O'Malley said that the £107m being paid by AGF and funding already provided by the Irish Government would meet the bulk of outstanding claims.

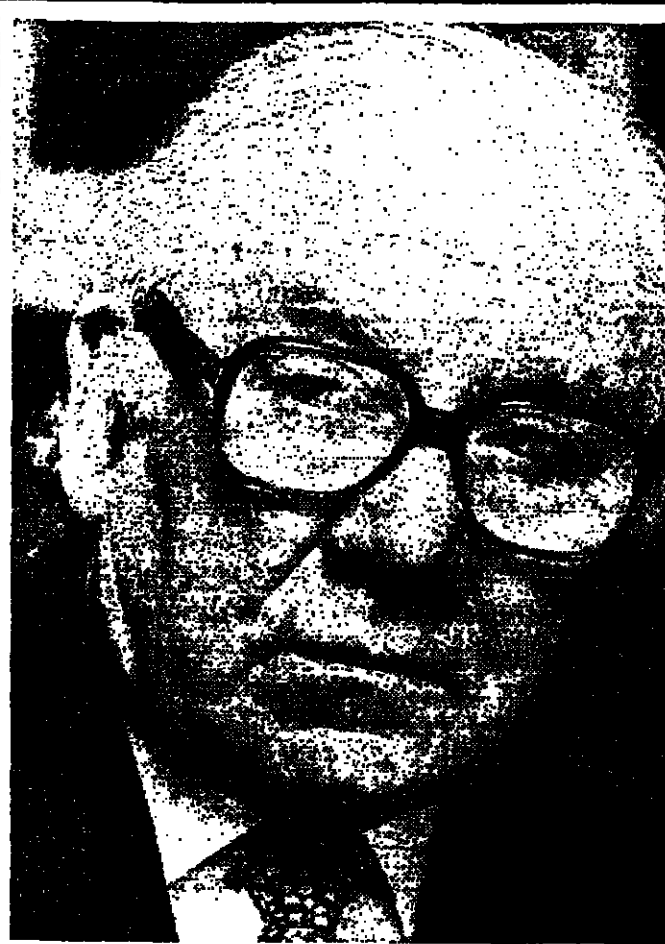
However, he added that he could not be certain that further funds might not be necessary. Claims dating from before 1985 are reinsured but last year the Dublin High Court gave permission for Winterthur of Switzerland and 12 other reinsurers to bring an action disputing claims worth £30m by the Insurance Corporation of Ireland. They alleged fraud by the corporation.

Mr McCann said he had been preparing the Irish business for sale since his appointment

in 1985. It has made a profit of £33m in the past three years.

Steps taken to make the company profitable included the sale of non-core activities in life assurance and banking, an end to underwriting outside Ireland, the appointment of a new management team and the establishment of support for the company in the insurance broking community.

He said that over the last five years the company had achieved a key position in the Irish insurance market. The Irish business, including related assets and liabilities, of the corporation will be transferred to the AGF owned company which will have a capital of £25m.



Lord King, British Airways chairman, said yesterday that the airline was exploring the market opportunities to sell and lease back some of the 27 Boeing 737s which it owns or has on financial leases, writes Paul Abrahams.

LORD KING, British Airways chairman, said yesterday that the airline was exploring the market opportunities to sell and lease back some of the 27 Boeing 737s which it owns or has on financial leases, writes Paul Abrahams.

He said the strength of the second-hand market continued to surprise him, although it did not seem to surprise the industry. It would be right, he added, for the airline to take advantage of the market's buoyancy to increase the company's flexibility and at the same time reduce costs.

"We are always reviewing costs. The insidious growth of overheads is a constant problem at which we are always working. We are wide awake to the danger," he said.

Analysts believe that the need to reduce costs may be paramount during the next year. Lord King warned yesterday that prospects for the company were dependent upon continued worldwide economic growth.

That growth may not be assured, however. Airlines in the US have been reporting a rapid slow-down in their domestic market. About 50 per cent of BA's profits come from its routes to the Americas, and traffic originating from the East Coast of the US appears to be slowing down.

At the same time, all airlines have been suffering from escalating fuel costs.

Hanson advances 15% to £225m in first quarter

By Andrew Bolger

HANSON, the diversified conglomerate, yesterday reported a 15 per cent increase from £195m to £225m in pre-tax profits for its first quarter.

Turnover in the three months to December 31 was £1.82bn, compared to £1.93bn in the previous year.

Mr Martin Taylor, joint vice-chairman, said the figure had been reduced by disposals such as the sale of the Ground Round restaurant chain in the US, a majority stake in Smith Corona, the US typewriter and word processor company, and Alders, the British department store and duty-free shopping business.

Fully-diluted earnings were up 11 per cent from 3.5p to 3.9p. Unadjusted, the increase was from 3.8p to 4.3p.

The scant information available at this stage was slightly above analysts' expectations, although the company does not give any divisional or geographical breakdown. The shares closed unchanged at 227½p.

The figures included a contribution from Consolidated Gold Fields, the mining invest-

ment house which Hanson acquired last August for £3.5m in Britain's largest completed takeover bid. Mr Taylor said the company would not give details of the contribution until the half-year stage.

The tax charge was £54m (£47m). Below the line there was extraordinary income of £182m - largely profits on disposals, such as the sale of ARC America, the aggregates and construction products business which it inherited from Consolidated Gold Fields. Profit available for appropriation was, therefore, £353m (£313m).

Hanson did not give any balance sheet details. However, at the time of the final results to September it had net assets of £756m.

Lord Hanson has already promised to pay dividends totalling 10.4p for the current year to September, an increase of more than 20 per cent. By so doing, he hopes to encourage holders of nearly £1bn of 10 per cent convertible loan stock to convert to equity on February 28.

See Lex

Porth warns of decline after slack Christmas

By John Thornhill

PORTH GROUP, the USM-quoted manufacturer and distributor of Christmas decorations, did not have a very festive season last year, and warned yesterday that pre-tax profits for 1989 were expected to be lower than the previous 12 months.

The company said, however, that profits would be sufficient for payment of a final dividend of 3.2p, making a total of 4.5p.

Mr Jack Mansfield, director, said there were three main reasons for the profits decline: dampened demand because of the high-street retail squeeze; higher labour and material costs exacerbated by unfavourable exchange rates and a bad debt; and a bigger interest charge.

Electra Kingsway sets up new investment operation

By David Churchill, Leisure Industries Correspondent

ELECTRA Kingsway Managers, a specialist investor in unquoted companies, has set up a new investment operation to provide equity finance and financial advice for leisure and hotel companies.

The new operation, Electra Leisure, will have access to the investment funds from both Electra Investment Trust, the parent company of Electra Kingsway Managers, and the £486m unquoted investment fund, Electra Private Equity Partners.

One of the first ventures being partially funded by Electra Leisure is understood to be a new hotel chain called Parkgate Hotels, to be run by three former senior executives from

the Holiday Inn hotel chain.

Electra Leisure is headed by Mr Brian Terry, formerly with Security Pacific Merchant Bank in London.

Two former colleagues from Security Pacific, Mr Michele Meens and Ms Judy Marsden, have joined Mr Terry in the new venture.

Mr Terry said yesterday that the new fund had been established because "the largest impediment to the growth of the leisure industry is the lack of equity finance available to private companies."

Electra Leisure, he added, will seek to build an investment portfolio "consisting of unquoted companies with growth potential."

In addition, joint ventures are planned with established leisure operators in a wide range of sectors, including hotels, resorts, sports clubs, and other companies supplying the leisure industry.

Electra Leisure will initially concentrate on projects within the UK and Continental Europe.

Apart from Electra Leisure, Electra Kingsway has three other investment operations. These are Electra Aviation, an international aircraft leasing company; Electra Property Finance, specialising in the provision of finance for property transactions; and Electra Invoice, which specialises in corporate ventures.

GEC/Siemens to sell Plessey arm

THE UK's General Electric Company and Siemens of West Germany are proposing to sell Birkby's Plastics, one of the UK's largest producers of plastic injection mouldings, writes Hugo Dixon.

GEC and Siemens acquired Birkby's as part of their joint takeover last year of Plessey, the UK electronics group. Birkby's is based in Liversidge, West Yorkshire and employs 700 people. Its current turnover is approximately

£36m and it is said to be profitable.

GEC and Siemens are understood to have decided to dispose of Birkby's because it has little relationship with their core activities. It supplies plastic mouldings principally to their automotive and computer industries.

First Boston, the merchant banking group, has been appointed to look for companies interested in buying Birkby's. It is thought that the

most likely acquirers would be large international groups that specialise in plastic mouldings.

Some of the leading plastic manufacturers around the world are: Plastics Omnium of France; Trinova of the US; Dynamit Nobel of West Germany; and Eurotech, part of the UK's BAT Group.

Birkby's is part of Plessey's aerospace and engineering division. Plessey originally acquired it when it took over AT&S in the early 1960s.

ERF in drive to strengthen UK presence

By Kevin Done, Motor Industry Correspondent

ERF (HOLDINGS), the UK heavy truck maker, has formed a financing joint venture, ERF Leasing, with Capital Charter, a leasing subsidiary of Bank of Scotland, aimed at strengthening its presence in UK truck market.

ERF Leasing is the first joint company relationship between a heavy truck maker and a clearing bank group.

The venture will offer a range of financial packages for new and used vehicle purchase and fleet financing.

ERF has virtually doubled its share of the UK heavy truck market to 11.2 per cent over the last three years, but the company believes that it must

offer much more sophisticated financing packages to support its attempt to raise its share to 15 per cent by the end of 1992.

However, in common with other truck makers it faces a bleak outlook in 1990, as demand plunges. Mr Peter Foden, chairman, said yesterday that overall UK heavy truck sales in 1990 could be 30 per cent below last year's level.

ERF is currently producing only 12 trucks a day compared with a peak of 21 trucks a day a year ago, and it is effectively operating a four-day week with a four-day production shutdown per month, an effective cut of 54 per cent in output.

ERF's financial year runs to

the end of March, and Mr Foden warned in November that the steep downturn in the truck market would have a heavy impact on the group's performance in the second half.

Competition in the UK truck market is becoming fierce, as sales decline steeply from last year's record level. ERF's new truck registrations dropped by 42.1 per cent in January, while heavy truck sales overall plunged by 35 per cent.

As part of its venture with Capital Charter ERF is planning to offer contract hire facilities including maintenance and service support in an attempt to expand its presence

in one of the fastest growing segments of the UK market.

The company estimates that contract hire already accounts for about 30 per cent of all UK truck sales above 7.5 tonnes gross vehicle weight, most importantly in the light and medium truck segments below 16 tonnes.

ERF, the last remaining independent publicly-quoted UK truck maker, currently gains only about 5 per cent of its sales through contract hire arrangements, but it expects contract hire to become increasingly important also in the heavy truck sector of 16 tonnes and above, where it exclusively operates.

Record lifts holding in Easterbrook to 37.9%

By Clare Pearson

RECORD HOLDINGS, the power tool maker embroiled in an acrimonious struggle for Easterbrook Alford, a private cutting tools business, has bought a further 5 per cent of Easterbrook's shares from Prudential Venture Managers.

It said the cost was 750p per share, the level of its £13.2m recommended offer and the same amount it paid on Tuesday for the 3.1 per cent stake bought from Kowatree Pension Fund.

Record on that day clashed with James Wilkes, the engineering company which has launched an £11.5m hostile offer, over the amount per share they had each offered to Easterbrook's two institutional shareholders.

Together with irrevocable undertakings from Easterbrook directors and certain other

shareholders, Record now speaks for 37.9 per cent of the company.

Wilkes has claimed receipt of irrevocable undertakings in respect of more than 50 per cent, but holders of 9 per cent included in this figure are contesting the validity of the undertakings in the High Court. The hearing was adjourned on Tuesday for 14 days.

On Tuesday's conversations with shareholders, Record denies that it ever offered any shareholder more than 750p per share. Wilkes yesterday issued a statement saying that it had entered discussions with the two institutions only after it had become aware Record had made approaches to them.

"The company did not agree to meet the price sought by one shareholder," it said.

Hungarian offer success

By Clare Pearson

THE OFFER of shares in Hungarian Investment Company, the first quoted fund to be dedicated to equity investments in Hungary, has proved a success.

Kleinwort Benson, sponsors to the offer of shares and warrants, announced that it was oversubscribed by the time it closed yesterday. Details of allocations will be announced shortly.

With a minimum subscription level of \$50,000, the offer of 1m shares with warrants

attached on a one-for-10 basis, was targeted at professional rather than private investors.

The listed South African fund is claimed to be the only east European fund to be listed on a leading stock exchange.

The investment company, which emerges in the wake of last year's political upheavals in eastern Europe, is claimed to be the only east European fund to be listed on a leading stock exchange.

BET to reduce S African holding

By John Thornhill

BET, the support services group, is to reduce its holding in United General Investments, its last remaining South African subsidiary, from 60 to 49 per cent.

Sankorp Group, BET's South African partner, will increase its shareholding in UGI to 51 per cent at the end of the current financial year.

This reduction of

BET's stake will have the effect of shrinking its interest in Unitrans, the listed South African specialist freight company, from 48 to 39.2 per cent. Unitrans is 80 per cent-owned by UGI.

BET's South African interests form a small part of its overall business, accounting for less than 1 per cent of earnings.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Brooks Tool Eng.	1.175	Apr 3	1.1	1.9	1.8
GC Flooring S.	0.9	May 4	0.9	-	2
Gen Cons Int.	5.48	Apr 2	4.48	9.48	8.44
Little Wose	2	Apr 20	1.75	3.5	3
SEP Industrial S.	0.6	-	0.45	1	0.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. \$£Unquoted stock. ‡Third market.

BOARD MEETINGS

TODAY		FUTURE DATES	
Interim OT Venture Inv. New International, Photo-line International, Trace Computers, Wadley, Veronesi Trust	Feb. 21	New Zealand Inv Trust	Feb. 21
Reade, Amsted, Cranbrook Electronics, Crest Nicholson, Green Property, Independent Newspapers, Norsa, Hydro, New & Mercantile, Tribune Inv Trust, Trust of Property	Feb. 22	SGS Int.	Mar. 29
Interim: Amstar Trust	Feb. 19	SGS Securities	Mar. 29
Barclay (Rev)	Mar. 5	Seneca Crisp	Mar. 29
		Orbital	Mar. 29
		Trust Earth Time	Mar. 14
		Lance & London Inv Trust	Feb. 22
		Recon Int.	Feb. 22
		Stat-Plus	Feb. 22
		Symcor	Feb. 15

Eloyds Merchant Bank rises 58% to £12.8m

By Richard Waters

LOYD'S MERCHANT Bank announced a 58 per cent rise to £12.8m in pre-tax profits for 1989, thanks largely to the sale of stakes in six companies held by its development capital arm.

LMB, which for the first time announced its results ahead of its parent, has recovered from heavy losses in its first two years of trading: in 1986 it lost £21.6m and in 1987, the year it pulled out of market-making in eurobonds, £19.4m.

Mr David Horne, chairman and chief executive, said the

profit improvement had come across all four divisions: corporate finance, investment management, stockbroking and development capital.

The current year has begun strongly, with an investment gain from the sale of the bank's holding in Enva Healthcare as a result of a buy-out, he said.

The development capital arm has around 100 investments with a book value of £58m, although LMB said it conservatively estimates them to be worth £20m more than this.

Eagle Trust confirms LaForza sale for £1

Eagle Trust, the mini-conglomerate at the centre of a Serious Fraud Office investigation, has confirmed the sale of its entire interest in the LaForza car project for a nominal sum of £1.

Mr David James, the company doctor who stepped in as chairman last September, revealed that while Mr John Ferriday was chairman £26m had been transferred from the company's funds to be invested in the project, although £13.5m of this sum was diverted through offshore companies and remained unaccounted for.

The sale of Eagle Trust's interest in LaForza had already been conditionally agreed with Mr Joe Monterosso, who runs the project in the US, by Mr Malcolm Stockdale, Mr James' predecessor.

Caird placing to raise £4.6m

Caird Group is raising £4.6m via a placing of up to 875,000 new ordinary at 528p.

The majority of the shares are being placed on a private placement basis with US "accredited investors" and the balance are being placed with UK investment institutions.

The new shares represent 4.9 per cent of the existing ordinary capital of the company.

The directors said that the company was continuing to invest heavily in upgrading existing facilities and acquiring new businesses which would add to the group's core activities.

The proceeds of the placing will be used to continue this process of expansion.

The new shares will not rank for the first interim dividend in respect of the accounting period to December 31.

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

February, 1990

Ihara Chemical Industry Co., Ltd.

Tokyo, Japan

DM 40,000,000

1½% Bonds of 1990/1994 with Warrants

to subscribe for shares of Common Stock of Ihara Chemical Industry Co., Ltd.

unconditionally and irrevocably guaranteed by

The Norinchukin Bank

Tokyo, Japan

ISSUE PRICE: 100%

Daiwa Europe (Deutschland) GmbH

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New Japan Securities Europe Limited

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Norinchukin International Limited

Bayerische Vereinsbank Aktiengesellschaft

CSFB-Effektenbank Aktiengesellschaft

Dai-ichi Europe Limited

DG BANK

Deutsche Genossenschaftsbank

Morgan Stanley GmbH

Nippon Kangyo Kakumaru (Europe) Limited

Sanwa Bank (Deutschland) Aktiengesellschaft

Tokyo Securities Co., (Europe) Ltd.

Members, Shareholders are hereby convened to attend the Extraordinary General Meeting of

SOCIETE VITICOLE EUROPEENNE S.A.

(en liquidation)

Société Anonyme

23, avenue de la Porte-Neuve

LUXEMBOURG

R.C. Luxembourg B 9.685

which will be held on Thursday 1st March 1990 at 11.00 a.m. at the headoffice for the purpose of considering and voting upon the following agenda:

- To consider the report of the liquidators.
- Appointment of the Auditor to the liquidation.
- To fix the date for a final Extraordinary General Meeting to examine the Auditor's report, to discharge the liquidators and the Auditor and to close the liquidation.

The liquidators

UK COMPANY NEWS

Leslie Wise unveils 30% improvement to £4.2m

By Vanessa Houlder

LESLIE WISE Group yesterday announced a 30 per cent rise in pre-tax profits from £3.19m to £4.17m for the year to November 30. Turnover increased by 25 per cent from £27.69m to £34.56m.

Mr Leslie Wise, chairman of the textile group, described the results as an excellent achievement in a period of very high interest levels. It demonstrated, he said, the group's quick response to difficult trading conditions. An encouraging start had been made to this year, with sales in all divisions ahead of last time.

Mr Neil Wise, chief executive, said that the group's strong performance was due to its speedy response to changing fashions which stemmed from the lack of any plant or machinery of its own. It took the company less than two months to translate an idea

into clothes in the high street, he said.

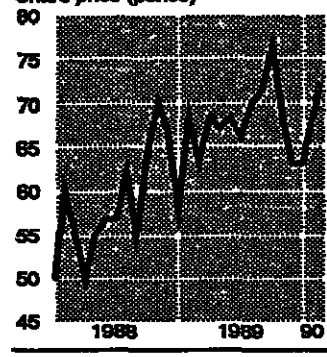
For example, it was able to switch its products to soft pastel designs when it became clear at Christmas that consumers were unimpressed by the bright, ethnic patterns that had been expected to dominate spring fashion.

The merchandising division, which dyes and prints fabrics and which is the largest contributor to the profits, increased its market share. Margins were slightly squeezed in the second half as a fall in the value of sterling increased the costs of fabric sourced from Europe and the Far East.

The garment division benefited from a full-year contribution from Jeandland and a two-month contribution from Verna Spence. The Ladies' Wear division operation continued to benefit from the 1988

Leslie Wise Group

Share price (pence)



restructuring. Earnings per share rose from 2.77p to 3.72p. A final dividend of 2p was recommended, making a total of 5.72p, an increase of 16.7 per cent.

GC Flooring shares jump on return to profitability

SHARES OF GC Flooring & Furnishings, a USM-quoted supplier and fitter of carpets, yesterday jumped 25p to 53p following a return to profitability in the six months to end-December.

Profits amounted to £12,000 pre-tax. Although that compared with £285,000 for the opening half of the previous year, the company fell sharply into loss in the second six months of 1988 running up a deficit of £763,000 for that period.

The directors, who are maintaining the interim dividend at 0.5p, believed the improved position together with proposed changes created an "exciting outlook". They also called on shareholders for £1.5m via a two-for-three rights issue at 28p.

Certain directors, their families and trusts accounting for an aggregate 5.61m shares (59.85 per cent) have undertaken not to take up their entitlement in respect of 3.74m shares. These will be taken up by primary underwriters who have agreed to underwrite part of the balance of the issue up to a further £84,501 shares. ANZ

McCaughan will underwrite the balance up to a total of 2.01m shares. First half turnover was little changed at £6.25m (£6.14m). Earnings emerged at 0.001p (1.96p).

Unilever buy

Unilever has acquired Salada from Redco Foods, an US tea company, for an undisclosed sum.

French agency buys 29.9% of Broad St

By Clare Pearson

BOULET DRU Dupuy Petit, the French advertising agency, has completed the acquisition of a 29.9 per cent holding in Broad Street, the USM-quoted UK public relations group.

The deal involves the departure of Mr James Gulliver as chairman of Broad Street. It is designed to give BDDP, frustrated last year in its attempt to take over advertising agency Boase Massimi Pollitt, an alternative foothold in the UK communications industry.

Under pre-sale arrangements, Mr Gulliver together

with co-directors Mr Graham Walker and Mr Brian Basham, sold 6.3 per cent of the shares to BDDP. The rest was acquired under a tender offer which guaranteed shareholders the sale of 37.8 shares for every 100 held.

After sales through both routes, Mr Gulliver's holding in Broad Street stands at 2.1 per cent and that of Mr Brian Basham, the company's founder, at 18.6 per cent.

BDDP paid 42.5p per share, which compares with yesterday's price of 32p.

SHARE STAKES

Applied Holographics: Schroders is now managing portfolios on a discretionary basis, holding in aggregate 915,000 ordinary of which 437,750 are registered in name of Schroder Nominee. Notification is also made under name of Schroder Capital Management International, which now manages on a discretionary basis a portfolio holding 70,000 ordinary. Notification is also made on behalf of Schroders Capital Management International which now manages on a discretionary basis portfolios holding in aggregate a further 1,17m ordinary of which 390,000 are registered in the name of Schroder Nominee.

Associated Energy: Following certain transactions a consortium party now holds a total of 6.54m shares (23.6 per cent). Birmingham Mint: Scottish Amicable has an interest in 741,398 ordinary, (5.21 per cent).

Countryside Properties: Both Mr GS Cherry and Mr RS Cherry have exercised options to purchase 10,000 ordinary each, at 213p per share. Total holding following these notifications is 2.43m each with an

option over 150,000 shares (6.7 per cent owned and option over 0.4 per cent). Courtyard Leisure: John McLaren Donachie has increased his holding to 500,000 shares (6.2 per cent). Flexello Castors: Mr RM Menko, a director, disposed of 5,000 ordinary at 171p each. Total holding now 210,000 (6.35 per cent). Mr M Menko now holds 135,254 and 675,254 ordinary respectively.

Royal Insurance: Prudential Corporation (together with that of the segregated funds, which they manage for clients) has increased its holding to 25.9m (5.38 per cent). Scottish Television: London Television (LAS Group) sold 100,000 ordinary. Total holding is now 519,250 (4.62 per cent) registered under Life Association of Scotland. Shoprite Group: Directors' stakes placed recently with clients of Neilson Milnes: DL Webster 15,000 shares, RA O'Shea 3,000. The total beneficial holding of all the directors and their interests is 7.53m (5.41 per cent).

CH Bailey rises to £328,000

CH Bailey, which has interests in ship repairing, yacht chartering, hotels and portfolio investment, lifted taxable profits by 75 per cent from £188,000 to £328,000 in the 28 weeks to October 13.

The increase was struck on turnover only fractionally up at £3.82m (£3.77m).

There was again no tax and earnings rose to 0.541p (0.297p) per share.

Mr Christopher Bailey, chairman, said that he anticipated that results for the second half would show an improvement over the profits made in the first half.

Enlarged Brooke Tool shows decline to £1.53m

MR BERNARD Friend, who earlier this month took over as chairman of Brooke Tool Engineering (Holdings), reported an 8 per cent downturn to £1.53m in pre-tax profits for the year to end-September.

He said profits had been adversely affected by cost over-runs in excess of £200,000 on two orders for broaching systems, particularly one large export order for India.

Another contributing factor to the shortfall was a £141,000 rise in interest charges to £279,000. This resulted from

increased borrowings which reflected the group's acquisition activity during the year.

Turnover of the enlarged group, a manufacturer of industrial cutting tools, improved from £19.46m to £22m. Earnings were 3.1p (3.7p) per share and the final dividend is the promised 1.175p which makes a 1.9p (1.6p) total.

Mr Friend said the group was continuing to dispose of operations that were not making a sufficient contribution to profits or were no longer central to its core activities.

SIP information



Società Italiana per l'Esercizio delle Telecomunicazioni p.a.

Registered Office in Turin
Share capital L. 3,400,000,000 Italian Lira, fully paid
Registered at the Court of Turin No. 131/17 in the
Register of Companies
Fiscal Code No. 0080600013

NOTIFICATION

as requested by CONSOB as per Share Prospectus disclosure legislation in connection with

Shares Redistribution

Increase of Shareholders' Equity from L. 3,400 billion to L. 4,670 billion

Notice is hereby given that pursuant to the deliberations of the Extraordinary General Meeting held on 14 November 1989, the following shall be implemented:

- Redistribution of the ordinary and preference shares which constitute the Shareholders' Equity of L. 3,400 billion by splitting each share of nominal value L. 2,000 into two nominal value L. 1,000 shares of like category (with the ensuing changes to the conversion ratio of the SIP 7% 1988-1993 convertible debenture loan, issued as per the General Meeting deliberation of 5/11/1988, which shall become equal to two preference shares of nominal value L. 1,000 for each debenture held).

- Increase in Shareholders' Equity from L. 3,400 billion to L. 4,670 billion, as follows:

- from L. 3,400 billion to L. 4,650 billion:
- L. 340 billion as a free bonus issue of 340 million shares of nominal value L. 1,000 each, of which 220 million ordinary and 120 million preference shares, to be allocated to shareholders on the basis of 1 new ordinary or preference share per 10 shares of the same category already held, following the aforementioned split-share redistribution.
- L. 910 billion as a rights issue of 910 million ordinary shares of nominal value L. 1,000 each, all to be offered at a unit price of L. 1,300 (and thus at L. 300 above par) on option to shareholders on the basis of 1 new share per every 4 (ordinary and/or preference) held following the redistribution and to SIP 7% 1988-1993 convertible debenture holders, on the basis of 1 share per 2 debentures held.

b) from L. 4,650 to L. 4,670 billion, that is in the amount of L. 20 billion, as a Company Employee issue of 20 million ordinary shares of nominal value L. 1,000, to permanent Company employees at a unit price of L. 1,300 (therefore at L. 300 above par).

- In addition the Shareholders resolved to increase Shareholders' Equity - with specific reference to the maximum allowable amount of L. 240 billion, made up exclusively of SIP 7% 1988-1993 convertible debentures - by a further maximum allowable amount of L. 24 billion, in the form of 24 million new preference shares of nominal value L. 1,000 each, with the usual entitlements, (hence modifying the conversion ratio of the aforementioned debenture loan, which will become 22 preference shares for every 10 convertible debentures held).

The increase of the Shareholders' Equity has been duly authorized by the Treasury Ministry and the resolution has been approved by the Court of Turin.

At the Board of Directors' meeting held on 30 January 1990, in execution of the mandate conferred on it by the aforementioned General Meeting, the following was resolved:

- Terms for effecting the above operations.
- Split-share operation, ordinary and preference shares: from 15 February to 30 April inclusive, at the Company and appointed offices; thereafter, at the Company offices only.
- Capital increase assignment rights: from 15 February to 30 April inclusive, at the Company and appointed offices; thereafter, at the Company offices only.
- Capital increase, option rights: from 15 February to 15 March 1990 inclusive, at the Company or appointed offices.
- Capital increase new share issues to run from: 1st January 1990.

Split-share and new share subscriptions may be effected at the following offices:

- Company Registered Offices at:
- Turin - Via S. Calimero 15
- Rome - Via Flaminia N. 189

and, in addition,

- in Italy
- at the usual offices and Monte Titoli S.p.A., in the case of shares administered by the latter
- abroad
- at authorized Institute branches

Assignment and option rights may be exercised by completing the specific form available at the abovementioned offices, utilizing:
- For ordinary and preference shares: the rights attached to new share certificates (nominal value L. 1,000, running from 1st January 1990).

- For the SIP 7% 1988-1993 convertible debentures: coupon A of the relative certificates.

Shares, are to be paid for by a sole remittance, upon subscription, at L. 1,300 per share.

Option rights not exercised within the prescribed period shall be offered on the Stock Exchange as per the Civil Code Art. 2441, section 3.

Total subscription of the shares against payment offered to the shareholders and SIP 7% 1988-1993 convertible debentureholders is guaranteed by Mediobanca.

For the new ordinary and savings shares originated from the capital increase and receiving interests as of 1st January 1990, a separate quotation will be required on all Italian Stock Exchanges.

In agreement with the Turin Stock Exchange Dealers' Management Committee, it was decided to accept old certificates (representing shares of nominal value L. 2,000 each) for liquidation in February 1990, whereas for March 1990 only new certificates (representing nominal value L. 1,000 shares) may be used.

For the Board of Directors
MICHELE GIANNOTTI
(President)

Share Prospectus filed at the CONSOB Prospectus Registry on 8 February 1990 File No. 1477.

A copy of the aforementioned Share Prospectus shall be available free of charge to whomsoever should so request it, at:

- the registered office of the issuing body
- The Exchange Dealers' Management Committee and the Share Listing Commissions for all Stock Exchanges
- duly appointed offices.

Publications of the Prospectus does not imply approval on the part of CONSOB of the investment proposed nor of the merit of the data and Prospectus information.

The body responsible for publishing the Share Prospectus shall be held solely liable for the completeness and truthfulness of the information printed therein.

Gruppo IRI-STET

EUROPEAN HIGH TECHNOLOGY

The Financial Times proposes to publish a Survey on the above on

20th March 1990

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds

on 01-873 4540

or write to him at:

Number One, Southwark Bridge
London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

EUROPEAN FINANCE AND INVESTMENT - PORTUGAL

The Financial Times proposes to publish this survey on:

27th April 1990

For a full editorial synopsis and advertisement details, please contact:

Henry Kryzmski

or

Lindsay Sheppard

on 01-873 3699

or 01-873 3225

or write to them at:

Number One

Southwark Bridge

London

SE1 9HL

or in Portugal

Roberto Alves

Alameda Dom Afonso

Henriques 78-2-D,

1000 Lisbon

Tel: 808284

Fax: 804579

Telex: 12787

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

THE COMPUTER INDUSTRY

The Financial Times proposes to publish this survey on:

20th April 1990

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds

on 01-873 4540

or write to him at:

Number One

Southwark Bridge

London

SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

IPWICH & FELIXSTOWE

The Financial Times proposes to publish a Survey on the above on

MARCH 26 1990

For a full editorial synopsis and advertisement details, please contact:

Dominic Good

on 01-873 3000 or write to him at:

Number One, Southwark Bridge, London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY - Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.									
	Ind. prod.	Mfg. output	Eng. orders	Retail vol.	Retail value	Unemp.	Vacs.		
1989									
1st qtr.	108.5	102.8	25.0	118.7	122.7	2.94	26.5		
2nd qtr.	110.7	110.9	26.7	120.1	126.9	2.58	24.3		
3rd qtr.	110.8	117.4	28.5	121.4	131.4	2.91	24.4		
4th qtr.	110.8	117.4	28.5	121.4	131.4	2.91	24.4		
1990									
1st qtr.	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
2nd qtr.	108.6	110.8	28.2	121.3	125.4	1.92	28.6		
3rd qtr.	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
4th qtr.	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
January	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
February	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
March	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
April	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
May	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
June	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
July	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
August	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
September	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
October	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
November	108.7	110.8	28.2	121.3	125.4	1.92	28.6		
December	108.7	110.8	28.2	121.3	125.4	1.92	28.6		

OUTPUT - By market sector: consumer goods, investment goods, intermediate goods (materials and basic engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

Housing starts (000s, monthly average).							
	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metals mfg.	Textiles etc.	Housing starts
1989							
1st qtr.	111.7	108.7	108.9	118.4	128.8	109.8	22.9
2nd qtr.	114.1	115.1	108.3	114.3	128.8	107.7	22.5
3rd qtr.	114.1	115.1	108.3	114.3	128.8	107.7	22.5
4th qtr.	114.1	115.1	108.3	114.3	128.8	107.7	22.5
1990							
1st qtr.	115.1	118.7	108.9	118.2	128.8	109.8	22.9
2nd qtr.	115.1	118.6	108.2	120.2	128.8	108.2	22.6
3rd qtr.	115.1	118.6	108.2	120.2	128.8	108.2	22.6
4th qtr.	115.1	118.6	108.2	120.2	128.8	108.2	22.6
January	115.9	119.6	108.4	118.9	127.9	108.0	22.4
February	115.9	119.6	108.4	118.9	127.9	108.0	22.4
March	115.9	119.6	108.4	118.9	127.9	108.0	22.4
April	115.9	119.6	108.4	118.9	127.9	108.0	22.4
May	115.9	119.6	108.4	118.9	127.9	108.0	22.4
June	115.1	121.1	101.1	122.6	128.0	108.6	17.7
July	115.1	121.1	101.1	122.6	128.0	108.6	17.7
August	115.1	121.1	101.1	122.6	128.0	108.6	17.7
September	115.1	121.1	101.1	122.6	128.0	108.6	17.7
October	115.1	121.1	101.1	122.6	128.0	108.6	17.7

CRH pays £13m for three US companies

CRB, the Irish building materials group, has expanded its interests in the US through the acquisition of three companies for \$22.4m (£13.5m), including the assumption of debt.

The acquisitions have been made through Oldcastle, its US holding company. They are Betco Block and Products, Cing Products and Eastern Prestressed Concrete Systems. In 1989 they made a combined trading profit of \$4.9m on sales of \$40.7m.

Betco has operations in Maryland and Virginia and makes a range of building products, including concrete masonry, Cing products and clay bricks. It mainly serves the housing markets in the metropolitan area around Washing-

ton DC. The North Carolina-based Gorla produces concrete masonry, patio pavers, and concrete burial vaults. Mr. Pierre Gorla will remain chairman and will run the company in close association with Betco and Adams Products, which was bought by CRH in 1987.

Eastern Prestressed Concrete Systems, based in Philadelphia, manufactures structural concrete for buildings and bridges for use in parking decks and highway bridges.

CRH claimed the company would complement the activities of its existing Spancrete Northeast subsidiary which is based in New York state. The combined sales of the two companies will be about \$50m.

TAXABLE profits of SEP Industrial Holdings, the USM-quoted manufacturer and distributor of industrial fasteners and precision components, expanded by 88 per cent to £2.5m in the 12 months to September 1989.

Mr Paul Formby, chairman and chief executive, said the outcome – up from £1.33m last time – reflected the substantial expansion of the group's international distribution business, with strong contributions coming from the European division and the components and linkages side.

Turnover was sharply higher at £47.82m (£37.73m). Earnings rose to 4.01p (3.14p) and a proposed final dividend of 0.6p makes a 1p (0.75p) total.

Mr Formby warned that trading conditions in the UK had become increasingly difficult since the group's year-end.

However, with more than half of turnover and a substantial proportion of profits coming from overseas markets, he believed the group was in a strong position to withstand the effects of any continued downturn in the UK.

Turnover was sharply higher at £47.68m (£17.37m). Earnings rose to 4.01p (3.14p) and a pre-tax profit of 0.6p was also a wide improvement on 0.1p (0.75p) total.

Mr Forth stressed that trading conditions in the UK had become "increasingly difficult" since the group's year-end.

However, with more than half of turnover and a substantial proportion of profits coming from overseas markets, he believed the group was in a strong position to withstand the effects of any continued downturn in the UK.

IF IT'S Tuesday, it must be California. The roadshow is surrounding Axa-Midi Assurances' chase for regulatory clearance to own Farmers Group, BAT's US insurance subsidiary, trundled into its second state this week — and was promptly left in no doubt it had hit Farmers' home territory.

Only three hours into the hearing before the California Insurance Department, all the elegant financial arguments over potential gearing ratios and tax structures were swept to the side.

High-powered lawyers and much of the top brass at Axa — which plans to buy Farmers for \$4.5m from Sir James Goldsmith's Hoylake consortium if the state's regulators give the bid for BAT — sat meekly silent as the floor was given to the populist voice . . .

before she either approves or rejects the merger," urged one of his two shadow senators. It was Bob Gnatzda, from Public Advocates.

The bond, he explained later to the carefully-alerted battery of TV cameras and radio reporters who followed in the consumer lobby's wake, would be held by Commissioner Ms Gail Rosen. "The public officials felt they had been unfairly treated by the insurance company, she would have the discretion to make payments to them from this pool of money."

On the way, Mr Gnatzda and his legislative manager tried to drop some more colorful allegations about "red lining" by Farmers (meaning allegations that it refused to insure drivers in some urban areas) and other "issues" about the insurers' failure to accept group discounts to certain customers.

"Billions of Californian policy-holders are the innocent bystanders in an international financial racket controlled by Harvey Rosenfield, from Vero Beach, one of the major forces behind California's Proposition 103 legislation. This is the insurance reform law which resulted from a revolt by Californians en masse against escalating automobile prices."

"The insurance commissioner should require Farmers and Sir James Goldsmith to post a \$100m 'good friend bond'."

All this is specifically denied by Farmers, which is based in Los Angeles and derives about 40 per cent of its business from California. It was lying is, after all, an illegal business.

Quite what Sir James would make of million-dollar protectionist bonds, history does not relate.

But the bizarre break in the proceedings was a salutary reminder that for the California Insurance Department, and even to an extent Farmers, his predatory ambitions are

All-round growth was shown by General Consolidated Investment Trust in the year ended November 30 1988 with high income, dividend and net asset value.

Gross income rose to 56.6m (56m) and net revenue to 54.2m (53.78m). On the income account, the company's 4.48p dividend was increased to 4.48p (4.45p) and the dividend is raised to 9.46p (8.44p) with a final of 5.46p. The stepped preference shares receive 2.795p (2.9p).

November 30 net asset value per income share had moved up from 83p to 56.9p, and per preference share from 106.2p to 114.2p. By December 31 some 35 per cent of the portfolio was in listed companies and it is planned to add to that exposure.

Anglesby Mining is raising \$1.5m via a placing of 1.01m new \$5 ordinary shares at 15¢ apiece by Kleinwort Benson.

The proceeds will be used to continue certain underground development and engineering work throughout the final feasibility and financial stages of the Parys Mountain base metal project.

Initial results have been encouraging and a target date for completion of the feasibility study has been set for early 1980. Discussions have already started with a number of banking institutions for the financing required to bring the Parys Mountain mine into production.

Dealings in the new shares will begin on February 22.

Two black and white headshots of men. The man on the left is older, with a receding hairline and a slight smile. The man on the right is younger, with dark hair and a serious expression. Both are wearing dark suits and white shirts.

Bob Gnaizda has proposed that Roxanne Gillespie (left), should hold a \$100m 'good driver bond' put up by Sir James Goldsmith (right), were Hoylake to win control of BAT

something of a distant irritant compared with the all-too-present, lawsuit-littered tunnel of Prop 103.

Insurance Department officials, who had appeared less than enthralled as the Axa-Farmers arguments were paraded, scribbled dutifully as the consumer lobby took the floor.

For this reason alone -- the sheer workload which Prop 103 has generated -- the state's tight eight-day hearing timetable on the Axa-Farmers matter is probably welcome.

The French contingent is somewhat less adept at this game. Mr Claude Béhéar, Axa's chairman and fairly expansive by nature, repeatedly constrained himself to yes and no replies in a series of cleverly designed questions, before bursting forth into a torrent of explanation. He received several gentle reprimands from

The California proceedings offer a sharp contrast to the Illinois hearings where a record is being set up for the other eight states (including

Other contrasts are noticeable, too. Gone is Chicago's comfortable Conference Centre and the California hearing is unfolding in a grim neon-lit auditorium of the State Building in downtown Los Angeles.

"It's a wild place, California," remarked one observer as the consumer group's shenanigans erupted. Indeed. Taped on a pillar at the State Building's entrance yesterday was the announcement: "Insurance hearing, Room 122." Underneath it, a similar handwritten notice read: "Cemetery

Axa and Sir James can only hope that their aspirations will not be buried as the parochial matters press in.

In 1843 Alexander Bain patented the automatic electro-chemical recording telegraph. He devised a way of *skimming* raised metallic letters with a stylus attached to a pendulum. Electric pulses were sent by wire to a receiving device where a second pendulum swept across chemically treated paper. Thus the *fax* principle was born. Today the *fax* machine is one of the great business innovations of our time.

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 2.1980 10.10
 P.2
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Years	Gross Sales			Net Sales		
	by SPT	AT	14%	by SPT	AT	14%
Over 1 up to 2	13%	13%	13%	14%	14%	14%
Over 2 up to 3	13%	13%	12%	14%	14%	14%
Over 3 up to 4	13	12%	12%	14	13%	13%
Over 4 up to 5	12%	12%	12%	13%	13%	13%
Over 5 up to 6	12%	12%	12%	12%	12%	12%
Over 6 up to 7	12%	12%	12%	12%	12%	12%
Over 7 up to 8	12%	12%	11%	12%	12%	11%
Over 8 up to 9	12%	12%	11%	12%	12%	11%
Over 9 up to 10	12%	12%	11%	12%	12%	11%
Over 10 up to 15	11%	11%	11%	12%	11%	11%
Over 15 up to 25	11%	11%	10%	11%	11%	11%
Over 25	10%	10%	10%	11%	11%	11%

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

TECHNOLOGY

The scenario is all too familiar. A customer phones to say that he needs a sackful of widgets immediately. The manager has to work out not only which of the companies' delivery vehicles is nearest to the customer, but also how to get in touch with the driver to tell him or her to make the unscheduled stop.

In spite of the enormous publicity given to mobile communications systems, the simple need for companies to keep in touch with their fleets of cars or lorries is often overlooked. But while the suppliers of up-market personal gizmos have been stealing the limelight, technologists have been beavering away to bring modern communications to vehicles - from the local taxi to the international lorry.

Computer-controlled digital signalling and satellite transmissions are just two of the technologies making their debut as a way to help freight companies locate their vehicle fleets and send voice or text messages to them.

The US, home of the transcontinental juggernaut, is at the forefront with combined vehicle location and messaging systems already in use.

Take the Schneider National truck company, from Green Bay, Wisconsin, which has a fleet of 5,000 articulated lorries (plus a further 2,500 on lease) which ply their trade across North America from Vancouver to Miami. Until a year ago, once a driver had delivered a load to its destination, he or she had to resort to a public phone box in order to find out where the next job would be.

Now, says Dan Sellers of Schneider, the destination is sent electronically via satellite, and picked up and displayed on a computer terminal in the cab of the lorry.

Schneider uses a system developed by Qualcomm, of San Diego. When an order comes in, the information is fed into the Schneider mainframe computer in Green Bay. A message is sent from this computer to Qualcomm's, and from there to a geostationary satellite hovering in orbit 36,000 km above the equator.

The message is then transmitted right across North America, but in code so that only a truck with the appropriate receiving equipment can pick up the signal.

The time between the message leaving the Schneider mainframe and an acknowledgement being received in Green Bay is between two and three minutes. That may not



Ground control to trucker Tom

Della Bradshaw reports on techniques that allow a company to contact its fleet vehicles instantly

be particularly fast in the split-second world of the computer industry, but it is considerably quicker than asking the driver to find a public call box. Sellers estimates that the installation of the system has resulted in savings of between one and two hours of each driver's time every day. With 5,000 trucks on the road that is a potential saving of 50,000 hours a week - enough to drive about 1.5m miles, or from Canada to Mexico and back more than 150 times.

As well as transmitting text messages, the Qualcomm system incorporates a location system called Loran C, which uses data transmitted between the mobile unit and two satellites to pinpoint the vehicle's position.

This helps Schneider give a better service to its customers, says Sellers. "The customer can call in and want to know where his shipment is and when it will arrive. We can say, 'It's 50 miles south of Chicago, Illinois, so it should be with you this afternoon.'"

Schneider says the vehicle

location service also means a tighter control can be kept on the whereabouts of the fleet, and so the company can more easily work out which lorry should be sent where.

Although pioneered in the US, similar services are being introduced in other countries by the international satellite organisations.

Eutelsat, the European Telecommunications Satellite

Organisation, based in Paris, is conducting trials of a service called Eutelsat, based on equipment from Qualcomm which is working with Alcatel, the French telecommunications company. The 26 countries which are signatories to Eutelsat will be able to use its satellites to send text messages backwards and forwards between a fixed base and a vehicle.

Another trial service is being

offered by Inmarsat, the international maritime organisation. The equipment for Inmarsat C is similar to that for Eutelsat, but with a cone on the cab instead of a dish.

At present, telex-type messages can be transmitted between a company's headquarters and its vehicles. Eventually this will be extended to allow information to be faxed or sent by electronic mail.

Inmarsat, based in London, is not planning to introduce its own vehicle location system, but to enable its service to work with ones already available, such as Loran C, in North America and parts of Europe, Glonass, the Soviet pinpointing system, or the Navstar Global Positioning System (GPS), the US defence system.

Although both the US and Soviet systems were originally designed to pinpoint military vehicles, both will introduce a less sophisticated version for commercial use. The GPS system, for example, will eventually have 21 satellites tracing an elliptical orbit, giving 24-hour-a-day coverage anywhere

in the world. The military part of the system will allow vehicles to be located to within 18 metres, the section hived off for commercial use may only need to calculate the position to within 100 m.

Although all this may seem like pie in the sky, by the end of this year users in European countries will technically be able to get access to the GPS system for between 14 and 18 hours every day - that is the period when four of the orbiting satellites will be in view at any one time.

With the Qualcomm system, the vehicle is located by comparing the time it takes for signals to travel between it and two satellites. The more sophisticated GPS system needs four satellites to pinpoint position, but it can also calculate distance from the earth - making it ideal for locating aeroplanes as well as road or sea vehicles.

Steve Horrocks, manager of navigation systems at STC, the UK electronics group which is one of the equipment manufacturers for GPS, believes the system could be used commercially to track the route of valuable loads - gold or missiles, for example. Eventually he believes it could be combined with geographic information systems to give route information.

One network for tracking vehicles to within a distance of 50 m is already in use in the UK. Developed by Securicor, the security company, the Datatrak system uses radio antennae to send messages to and from the mobile unit, and so calculates the vehicle's position by comparing the signals sent back to the nearest group of antennae.

For those who just want to get messages backwards and forwards, the more traditional mobile radio companies, such as Band Three Radio, of Basingstoke, and National One, of Chelmsford, which use earth-bound radio receivers, are beginning to offer national services.

Eventually Callum Mackie, sales and marketing director of Band Three, believes companies may be able to contact vehicles travelling through other European countries, as operators in West Germany, Holland and Denmark introduce radio networks based on the same equipment.

"For our average-sized UK company based in Slough, with one salesman in West Germany, for example, it could be possible for the German and UK operators to agree to interconnect those services."

A phone for all seasons

A PORTABLE phone, which can be used to send and receive calls in your car, in the street, at home or in the office, has been announced by Ericsson Pacing, of Amsterdam, part of the Swedish Ericsson group.

Ericsson calls the phone, which weighs just 100 grams, the CT-3 (CT standing for cordless telephone). The Dutch company has already said it will begin field trials of the system later this year, and other telephone companies are expected to follow suit.

CT-3, which is Ericsson's solution to personal communications, combines the emerging technologies for digital cordless phones (known as DECT) and pan-European cellular phones (GSM).

In the street, the phone will be able to receive and transmit calls using public base stations, while on the move the handset will be linked by radio to a base in the car, and from there into the cellular radio network. At home, it will be just like today's cordless phones, while in the office users will carry the CT-3 in their pockets. The switchboard will then route any call to that extension through a radio link.

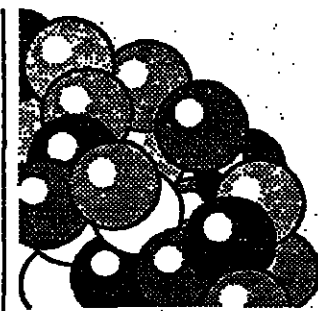
New sources of innovation

CHIEF executives and technical directors in manufacturing industry expect big changes in the way they manage innovation over the next five years, writes Clive Cookson.

According to a survey by SRI International, of Croydon, which took in the views of 350 respondents in the UK, West Germany and France, traditional R&D will be a declining source of innovation. "Human resource management" getting more innovation out of everyone on the company's payroll will become more important, as will purchasing, marketing and sales.

At the same time, executives say an increasing share of new technology will come from outside the company, from collaborative R&D and from licensing arrangements.

Seventy-three per cent of UK technical directors rate their own R&D as the most important source of technology today, but only 46 per cent say it will be the most



WORTH WATCHING

Edited by Della Bradshaw

Important source in 1985. The equivalent figures in West Germany are 58 per cent today and 63 per cent in 1985.

Pencil-shaped motor

THE clumsiness of conventional electric motors can be overcome by a new design, writes Lynton McLain.

Long thin motors could offer fresh opportunities for designers and so George Kidd, a retired Ferranti engineer from Edinburgh, has developed two pencil-shaped prototypes, the larger with an outside diameter of 1.25 in and the smaller, 0.85 in.

The thin motors have a greater power output than conventionally shaped ones, and their small diameters open the way to specialised applications, including power tools for dental use or for delicate grinding work, such as in jewellery production.

They are even small enough to be used as drive motors sitting inside the rollers of conveyor belts.

The long slim design has its wire coil windings on the outside of the armature, unlike a conventional motor.

Plumping up food supplies

WAYS OF helping farmers to increase the world's food supplies - by producing plumper sheep and cattle and by increasing the breeding of hens or rabbits - have been developed by Russian microbiologists and French software writers.

The first is a dietary supplement known as BVK and developed by the National Research Institute of Protein Substances, in Moscow. The substance is based on papain,

a yeast grown on purified petroleum paraffins. The papain enriches the diet with protein and vitamins as well as amino acids, which make the animals grow.

According to Soviet tests, the amount of grain fed to the livestock can be reduced by 30 per cent, while the animal may increase its weight up to twice as quickly as it would on a conventional diet.

Nor is BVK intended solely for animals on the farm. Its inventors, who are hoping to interest overseas companies in their formula, claim it is also good news for carp and even mint.

The second comprises two software packages developed by Eclat, in France, which help rabbit and poultry breeders to increase "production."

The two packages - Clap and Plum - help farmers to interpret the mass of data on breeding performance to produce optimum results. The packages, which run on any IBM or compatible personal computer, can also be used to plan work, classify breeders and produce calculations.

To make the system more portable, Eclat has brought out a software package that enables part of the information to be taken into the coop or hutch on a Palm Organiser II portable computer.

A book typeset at bedtime

HOW DO you get a book typeset in a hurry? Send it to a place where the time difference means that it can be typeset while the publishers are asleep - Mauritius for example.

When Century Hutchinson presented Selectmore, the west London typesetter, with a 410-page manuscript that needed to be produced in a hurry, Selectmore sent the manuscript by fax that afternoon to its Mauritius office.

There, some of its 100 staff keyed in the script in a form ready for pagination and sent it back to the London office over a data line.

As a result, The Bold Thing - a novel about terrorist involvement in the bloodstock industry - will be on the shelves six to eight weeks more quickly.

CONTACTS: Ericsson: Netherlands, 20 575 3284, SRI: London, 898 5555, Kidd: UK, 031 357 5400, National Research Institute of Protein Substances: USSR, 065 272 10 23, Eclat: France, 65 72 85 65, Selectmore: London, 749 9014.

BUSINESS LAW

EC Directives change securities markets

By Alastair FitzSimons

On February 12 the International Stock Exchange implemented the provisions of the EC Directives on admission requirements for Official Listings. The debate surrounding the future of the USM, the demise of the Third Market by 1 January 1991, and the possibility of the Stock Exchange being required to grant Official Listing status to securities that have received placements in other EC member states through the submission of a prospectus, continues.

The European Community's plan for the process of gaining admission to official Stock Exchange listings in Europe first took shape in 1980, when a Directive (80/580) was adopted within the broader Community scheme for easing the path of establishment of member states companies in other EC countries through the harmonisation of various rules relating to the establishment and functioning of companies.

The requirement for implementation of the Directive in domestic law was met, in the UK, by Part IV of the Financial Services Act 1986, and pursuant to this the rules of the Stock Exchange relating to the rules of the International Stock Exchange (the "Yellow Book").

Essentially, the Directive provided for the adoption, by Stock Exchanges in all the member states, of certain minimum standards - principally, for a documented three-year trading history for the entity issuing the securities and applying for placement on the official listing.

Under the 1980 regime, the rules for admission to the Stock Exchange could not fall below these minimum standards, although they could exceed them. Thus the strict rules relating, in the UK, to admission to the International Stock Exchange could be maintained.

However, in 1987 the regime changed with the adoption of a Directive 87/345 amending the earlier one. The amendment was intended to prevent differing national standards that exceeded the minimum standards from acting as barriers to the admission to an official listing of securities that had already received such status in another member state Stock Exchange.

This was done through the mutual recognition of standards - a concept frequently used by the Community in preventing differing national standards from acting as barriers

to trade. Where a Community law provides for mutual recognition of standards, member states cannot rely on their own, possibly higher, national standards in order to prevent the entry into that state of goods or services from another member state that meet minimum standards specified in Community legislation.

Thus, under Article 24a(2) of the amended Directive "listing particulars approved by the competent authorities [...] must be recognised in another member state in which application for admission to official listing is made." This requirement is subject to very few exceptions (relating mainly to requirements for local market information to be contained in the applications made in each member state).

Moreover, Article 24b provides for the recognition of listing particulars prepared and drawn up and approved at the time of a public offer by the competent authorities of a member state either simultaneously or within a three-month period of that application being made by prospectus. The same limited exceptions apply.

A further Directive, 89/298, provides for certain minimum standards relating particularly to the information contained in prospectuses to apply to prospectuses prepared, where securities are to be subject to public offer for the first time.

It is thought that in connection with this Directive there may be a need to amend Part IV of the FSA to provide for admission to the Official Listing of securities admitted to other official listings of an approved prospectus.

Clearly, if the International Stock Exchange is to apply the same standards to securities issued on a purely national basis as to those securities that in addition to seeking admission to the UK official listing have sought and obtained admission to official listings in other member states, the standards applicable to our own Stock Exchange will increasingly resemble those found in other member states.

In its 1989 consultative document, The UK Primary Markets, the Committee on Quotations of the International Stock Exchange (ISE), recognised that a five-year trading history requirement, already at odds with the three-year requirement found in other European countries and in the US, could not be reasonably maintained

for domestic securities issuers, where issuers from other member states are gaining admission to the same official list on a three-year trading history.

The Committee also pointed out that the UK Stock Exchange would need to move from a five-year history requirement to a three-year history requirement in order to remain competitive in attracting foreign companies with Stock Exchanges in other countries.

The likelihood of such a move has been recognised for some time. The consequences for the USM could have been fatal. With little to choose between Community minimum standards for admission to official listings and the requirements of the USM, a move by the UK Official Listing to these standards would deprive the USM of most, if not all, of its attractiveness as an alternative to an Official Listing Placing.

Speculation that a consequence of the EC Directives would be the demise of one or both of the UK secondary and tertiary markets was denied by the Commission. Its view was that the requirements of mutual recognition of standards would not inevitably require member states to adopt the same standards in relation to domestic securities as for securities admitted in other states, which would reduce the scope for operating a number of different markets with admission requirements containing substantial differences.

Further changes to the rules governing the admission to the Official Listing in the UK to accommodate admissions obtained by prospectus on other official listings might well prove less comfortable than the changes to the Yellow Book now being introduced.

From the reaction in the press so far, it would appear that the reduction of requirements to three years' trading history for the Official Listing and consequent amendment to the USM (now two years' trading history requirement) in order to retain two distinct securities markets, is broadly welcomed.

However, this may merely reflect a view that the ISE has succeeded in doing no more than making the best of a difficult situation, leading to the inevitable demise of the Third Market (new companies have not been admitted to the Third Market since 11 January) and the possibility of significant loss of interest in the USM.

If the USM is to continue to be successful, it is important that it remains competitive in terms of cost advantages and regulations on further issues and acquisitions. Were the ISE to again reduce domestic standards in order to compete with standards on continental Stock Exchanges set by the minimum standards contained in the Prospectus Directive, the value of maintaining two separate markets might be questioned.

The approach of the ISE has been based upon a realistic assessment of the environment for international competition for securities. Listing admissions, as defined by EC regulations, and by a recognition that there is undoubted value in the USM and considerable disquiet about the standards and supervision by sponsors on the UK's own Third Market.

This approach can be contrasted with that of the European Commission which has been to focus merely on the effects of strict compliance by member states with the provisions of the Directives rather than to follow through the logical practical consequences of their introduction.

The effects of the amended Directive are to reduce the ability to maintain a number of widely differing securities markets. The maintenance of a higher national standard for the protection of the investor becomes difficult to justify. Further, the maintenance of markets possessing different standards (as to time, etc) is made harder by the difficulty in reducing these standards below those of the Official Listing in a way that would maintain meaningful differences and which would retain a second (let alone third) market of sufficient difference to the Official Listing which still maintained reasonably high standards.

Thus, if one accepts that the maintenance of the five-year trading history standards could not be maintained, the margin for manoeuvre of the ISE is quite restricted. The scope for maintenance of further securities markets, providing a forum for newer companies was reduced to a choice of trading history standards of two years or less. Clearly, it would be difficult to maintain two separate viable markets within such narrow parameters.

The author is a researcher for London solicitors Wedlake Bell.

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COMMODITIES AND AGRICULTURE

Soviets deny oil supply shortfall

By Steven Butler in Moscow

SOVIET OIL production and exports will be maintained this year, according to a wide range of Soviet oil officials and economists who deny speculation in the West that serious shortfalls in output could be experienced.

Some oil companies have been estimating a drop in Soviet exports of between 300,000 and 500,000 barrels a day this year. The Soviet Union is the world's largest oil producer, and second in exports only to Saudi Arabia.

"There is no change in policy. There are no plans to reduce exports," said Mr. Guriy Petrulin, first vice chairman of Soyuznefteexport, the Soviet oil export agency, yesterday. Mr. Petrulin said that direct exports of crude oil and oil products last year, including exports to the Commonwealth of Independent States, had dropped by 10m tonnes, or about 200,000 barrels a day, to 170m tonnes.

The International Energy Agency has estimated that net exports from socialist countries fell by 100,000 b/d last year.

Mr. Petrulin said this reflected efforts to co-operate with the Organisation of Petroleum Exporting Countries, as well as some transportation difficulties. Exports this year would be broadly in line with the 180m tonnes exported in recent years, he said.

Export policy for future years is under discussion in the Soviet Parliament, where some deputies are in favour of cutting exports, but would not affect plans for this year. There is also a fierce debate over how

to invest in future oil developments.

Soviet oil production last year fell from 624m tonnes to 607m tonnes. However, despite a number of production difficulties experienced last year, which reflected broader problems in the Soviet economy, Soviet officials deny the industry is in crisis.

Planning officials in the Tyumen region of Western Siberia, where most Soviet oil is produced, say that investment at 80m rubles a year, has been maintained that that planned output is unchanged.

The industry has been rocked by transportation difficulties, including a shortage of aviation fuel in the producing regions that have disrupted supplies. But such disruptions have been a regular feature of oil production in the Soviet Union for many years.

Strikes and unrest in Azerbaijan have also disrupted the oil equipment and service industry, although the industry appears to be recovering.

Officials admit this could affect the speed of future developments, but say it has had only a passing effect on current production.

The Ministry of Oil is taking over certain factories from the Ministry of Defence and plans to transfer production of oil field equipment away from areas affected by ethnic unrest. Transport bottlenecks have also cut deliveries of fuel to Eastern Europe, including Czechoslovakia and Poland. However, the Soviets have promised to make up these deliveries at a later date.

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Increasing impact seen from sugar tightness

By David Blackwell

THE GROWING tightness in the world sugar market will have an increasing effect on prices as the year progresses, according to Czarnikow, the London trade house.

Czarnikow has reduced its forecast for 1989-90 output by 167,000 tonnes to 106.3m tonnes, and cut its 1990 consumption estimate to 109.3m tonnes, compared with its November forecast of 109.5m tonnes. While the gap between the two has narrowed, a deficit is still in prospect "and it will be difficult to avoid a draw-down in carry-over stocks," says Czarnikow in its latest Sugar Review.

The production estimate has been reduced despite an increase in the overall estimate for the EC's sugar harvest being increased by 467,000 tonnes to 15,270m tonnes, and an increase in the Soviet Union estimate by 500,000 tonnes to 9.75m tonnes.

The biggest reduction has come in the US, where the total crop, including beet and Hawaiian production, is now put at 6m tonnes compared with a November forecast of just over 6.5m tonnes; production in Mexico, affected by the same freeze which damaged the US cane crop, is put at 3.3m tonnes compared with a November forecast of 3.55m tonnes. Cuba, South Africa and Thailand are all expected to have substantially lower crops, also because of adverse weather conditions.

On the consumption side, Czarnikow estimates the Soviet Union will have a national requirement of about 4.7m tonnes, while China, with consumption forecast at a reduced 7.5m tonnes, could still need to purchase 1.5m tonnes on the world market.

Czarnikow points out that in 1984-85 world sugar production totalled 101m tonnes, and was only "inched up" to the expected 106.3m tonnes this season, although there was a need earlier in the decade to reduce carry-over stocks.

Despite impressive gains by individual producers in recent years, there have been setbacks elsewhere so that the overall rate of improvement in world supplies has been much less than the growth in demand, says the report.

"They key question over the coming months is whether current world prices are sufficient to give producers the confidence to embark on expansion plans which would meet the steady rise in consumption requirements. Next season production will need to meet off-take which in 1991 could well reach 110.7m tonnes, or about 4.5m tonnes higher than current crops."

One reason for this is shrinking profitability, although the best run estates still manage to maintain profit margins of 10 to 16 per cent. Estate managers

are looking for ways to improve efficiency and reducing the cost of production. The rate of increase in prices from the state tobacco and drinks monopoly Töbäck, obliged to buy all domestic tobacco output, ranges from 30 per cent to 50 per cent, depending on quality and region. The average price should be around TL14,300 (\$6) a kilogram rather than the TL11,300 fixed by the Government say the producers' associations. Inflation in the year to the end of January

was around 60 per cent. The prices were not too low by world standards, according to Mr. Ekrem Pakdemirli, the Finance and Customs Minister. On a recent visit to the US, he had not been convinced that the Turkish crop would be burned if they did not raise their price offers, he added.

But even at the recently increased, exports would be uncompetitive on world markets, according to Mr. Esin Özgür, the chairman of the

Association of Tobacco Exporters. A crop of around 250,000 tonnes is expected this year, of which about 100,000 tonnes will be exported.

Domestic producers have been ignored by the Government in a drive to encourage imported foreign blends of cigarettes, according to Professor Erdal Inonu, leader of the main opposition Social Democratic Populist Party. Roughly one in five Turks smokes a foreign brand today, compared with

one in a hundred four years ago.

Foreign investors have lined up to pour more than \$200m into revamping giant but mothballed plants built by Töbäck in the 1950s. But they face a threatened ban on cigarette advertising and smoking in public places promoted by an all-party lobby in Parliament.

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Seeds of reform planted on Malaysian estates

Lim Siong Hoon on initial efforts to deal with a crisis in the plantation sector

MALAYSIA'S commercial agriculture is in crisis. A national strike by 60,000 of its workers this month reflected the depth of labour frustration and how companies were trying to cope with perennial problems on their estates, thought to be among the world's most efficient.

Three years ago plantation workers bargained with their employers for a deal similar to the one they were seeking this time: a guaranteed monthly wage in place of a daily production-related income. They failed then but now, with the Government on their side, they seem assured of success.

The plantation owners have agreed in principle to the monthly wage demand and the strike has been called off. The dispute is due to go to the Industrial Court (which found for the owners last time) on Saturday but an out-of-court settlement is expected before then.

In supporting the workers the Government was undoubtedly mindful of an approaching general election, but that was not its only reason. The need to slow the drift of labour away from the estates, already afflicted by a manpower shortage that is growing by 4,000 a year, was another pressing concern.

The monthly wage may not be enough by itself, however, to achieve this. Rubber tappers, for example, are among the most poorly paid workers in a country where annual income averages 450 ringgit (\$100) a head, and many estates are enclaves of poverty, misery, and despair. Three days before the strike, the Malaysian Medical Association published the results of a survey of the estates which revealed a litany of woes: high mortality, poor sanitation and widespread disease. Workers' health care is left to the estates themselves, which spend, on average, only \$35.40 per person.

One reason for this is shrinking profitability, although the best run estates still manage to maintain profit margins of 10 to 16 per cent. Estate managers

are looking for ways to improve efficiency and reducing the cost of production. The rate of increase in prices from the state tobacco and drinks monopoly Töbäck, obliged to buy all domestic tobacco output, ranges from 30 per cent to 50 per cent, depending on quality and region. The average price should be around TL14,300 (\$6) a kilogram rather than the TL11,300 fixed by the Government say the producers' associations. Inflation in the year to the end of January

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Malaysia's commodity export volume has stagnated at about 1.6m tonnes a year for the past three years while Indonesia

of depressed prices for one or two of these crops - but prices for all three have collapsed simultaneously and there is no fourth, commercially viable, crop to turn to.

For years, Malaysia has been searching for another crop to provide a financial cushion in bad times. For a while fruit

development of the primary commodities," concluded one study on the future of the industry. Planters put it differently: Indonesia, they say, with its plentiful labour could "dethrone" Malaysia as the largest palm oil producer in a few years. And it is already a close second in the rubber export league.

The Malaysian Government, which this month has tried to alleviate the crisis by cutting rubber and palm oil export taxes, is no longer merely a regulator overseeing the welfare of a private industry. It is an active participant, and has since been since the 1970s, when it set control of the highest estates of Caltex and Harisons & Crossfield.

Government ownership complicates things somewhat, for example in the wage dispute between the rubber tappers and the estates. By naming three Cabinet Ministers to settle the union claims, the Government invoked executive action on a commercial dispute which had political and economic stakes for it as well. Because of its controlling equity stakes in the major plantations, the dispute carried a union-versus-government political tone, something the Government could not afford to ignore.

Because the problems of labour, cost, and production in the estates are recurring, they complain that the solutions so far are piecemeal. At the heart of the crisis is a lumbering, antiquated century-old estate system. It is a legacy of colonial-style bonded labour that can no longer cope with the changing pace of social and economic demands.

An estate is a world to itself. There workers are quartered, their children, most of them semi-literate, grow up only to take up their parents' jobs. This system once guaranteed a labour supply on rubber estates. But the introduction of oil palm, with an 87 per cent growth in estate area in the ten years to 1983, left out women and children as a labour supply. Some men prefer oil palm harvesting because it pays better than tapping

crops such as bananas and papayas were promoted, but their short storage life, costly freight, and small demand makes the idea unworkable.

So the estates concentrated their resources on palm oil and cocoa, which were the most profitable until two years ago. Malaysian production of these crops have each risen ten-fold in a decade. Last year's palm oil production was a record 6.05m tonnes, equivalent to two-thirds of world supply.

Growth in output of the new crops is now beginning to run out of momentum, however. Even as rubber output stagnates, palm production this year could stay at the current level for the first time in years, one Government official predicts.

Meanwhile, the commercial agricultural sector must wrestle with the problems of idle land, labour shortages, and a restless estate population numbering more than 220,000 that has become weary of entreaties to keep costs down while other industrial and commercial sectors see real income growth.

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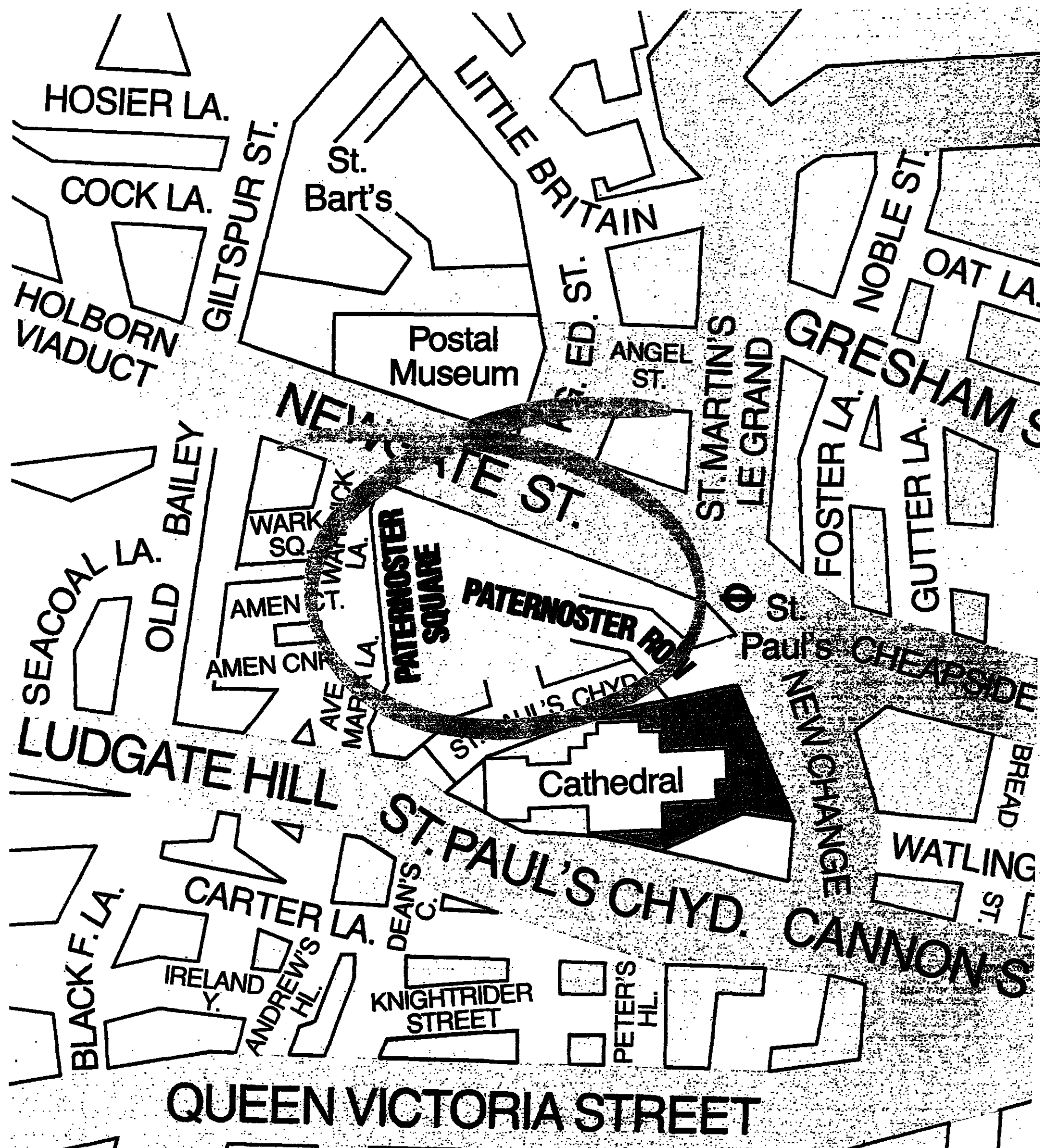
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LONDON SHARE SERVICE

MINES - Cont'd						
1989/90		Stock	Price	+ or -	Div Ret	Y C'w'g
High	Low					
Miscellaneous						
247 1/4	64	Anatomy Mining 9a. v	175	+15	-	-
104 1/2	1800	Warrants	110	+15	-	-

64	23 Betts Mining 10p.....	27		
50	194 McCoby Res Corp.....	31	+2	
125	83 Cons. Murch. 10c.....	88		0300 5.5
78	40 QAR Inc.....	11		
27 1/2	13 1/2 Canex Int. 1/20p.....	19	-1	
120	68 Europa Minerals 2p.....	77		N.L.O.
21	50c. Warrants.....	19		
438	65 Gevor.....	79	+1	

214.7	26.3	Kennecott Mining S.	519	-10		4200	
58	26.1	Kochmans	44				
47.4		CampF Intery Red Lake	15				
28.3	14	New Sabine Bx CSI	15				
457	256	Borthgate CSI	308	+3			
39.4		Borior-Quest Res.	16	+5			
*405	40	RITZ 10p.	515	+8		115.0	3.3
25		CVTanco Res. Inc. p.	12				
250	173	Yuma Group 10p.	173			3.25	6.1

THIRD MARKET									
1989/90		Stock	Price	+ or -	Dly Net	C'ed	Yld	P	
High	Low								
100	74	ASB Barnett 29.....	74						
15 1/2	2	American Energy 109..	4 1/2			1.0	4.8	1.8	1
30	22	Analysis Hldgs 20p....	22						

25.9	13.9	Residuals of test. sp	15		
14	0	Barbican Hides. 10p. v	14	+4	
40	27	Blackland Oil 10p. v	48	+3	
42	11	Burnie Exploration. v	16.1		
220	215	Cafe Jans. 11	220		
28	17	Caldwell Invs. 10p. v	22		
25	10	Caspen Oil 10p. v	14		
133	61	Chesla Artisans Sp. v	74	-5	1.0
36	17	Chem Ex Ind. v	17		
28	16	Chesapeake Linc. 5p. v	16	+1	

29	186	East Coast Exp.	v	17	-
29	13	Danco Corp Lease	Sp.	18	30 38 5.1 3.0
72	30	Edinburgh Hlb.	2d v	36	-
113	50	Graham Expts.	l & Sp.	60	-3
30	200	Wrights	v	14	+2
68	11	Far East Res.	10p.	13	-
125	115	Fast Forward Int.	v	125	-
45	23	Eaton Min.	0.20	45	-
33	35	Jenac Expln.	v	43	-
53	135	Hammell In.	w	185	-

*32	12Hawabilt Group Sp.	v	72	-2
120	60Heidelberg Brewery	Sop.	75
105	33Interarc Group 2	Sp v	67
23	9Intel. Comm. & Data Sp.	v	13
41	12Iverson's West	23
104	58J. Kelts Mfg. Co.	IsP	78
53	21Kemp (P.E.) Sp.	v	21	-2
22	6Kronograph Inc.	v	6
103	76L.G.W. Sp.	v	76	2.0 3.6 3.5 1

50	36 Malaga Group 10p...	41	12.0	3.4	6.5
81	66 RFL-States 1.0p...	80	+2		
9	58 Arroyo Flurb 1p...	54			
70	24 Inca Gold IR 2p...	34			
92	55 Oxford Virgity 3p...	61	-1		
25	8 Peward Grp. 2p...	19		0.2	1.4
106	20 Poodington 5p...	63			
120	100 Ramster's (Harry)	105		84.5	1.1 5.7 2
73	53 Ramster's 5p...	53		21.85	2.8 4 6 1

160	95 Seabos Hldgs	Y	153	12.5	6.1	2.2
51	31 Semperara	Y	23			
59	20 Sleepy Kids Sp	Y	26	-1		
17	5 Staks Hldgs	Y	51			1
34	14 Sunward Sndles 1p	Y	15			
55	28 Tavern Lks, 20p	Y	38	-2		
110	28 Terracon Lsbre 20p	Y	84			3
113	35 NPL Group 10p	Y	53	\$27.5	1.9	
150	128 Ugh Group	W	141	5.0	3.3	4.7

40	15 Wicaya Hldgs Sp...	1.8			
46 1/2	23 Whitegate Lmtn 20p...	57 1/2	-1/2	0.25	0.9
32 1/2	10 Do. Wrrmts...	24	-1		
10 1/4	4 1/2 Wlton Group 1p...	4 1/2			

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/E are calculated on "net" distribution basis, earnings per share being computed after profit after taxation and non-relevé ACT where applicable. Bracketed figures indicate 10 per cent or more difference as calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs with profit after taxation, excluding exceptional profits/losses including estimated extent of offsettable ACT. Yields are based on

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ## Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under 535(4)(a)

- 22 Not officially listed.
- 23 Price at time of suspension
- 24 Indicated dividend after pending scrip and/or rights issue
- 25 cover relates to previous dividend or forecast.
- 26 Merger bid or reorganisation in progress
- 27 Not comparable
- 28 Same Interim; reduced final and/or reduced earnings
- 29 Indicated
- 30 Forecast dividend; cover on earnings updated by latest

* Dividends or ranking only for restricted dividend.
 † Cover does not allow for shares which may also rank dividend at a future date. No P/E usually provided.
 ‡ No par value.
 § Fr. Belgian Francs. Fr. French Francs. ¶ Yield based assumption Treasury Bill rate stays unchanged until maturity stock. * Annualized dividend. † Figures based on prospectus other offer estimate. c Cents. ‡ Dividend rate paid or payable part of capital, cover based on dividend on full capital.

capital sources in Kenya, no later than higher than previous total
Rights issues pending a Earnings based on preliminary figures
Dividend and yield exclude a special payment. β Indicates a
dividend: cover relates to previous dividend, P/E ratio based
latest annual earnings. α Forecast, or estimated annual
dividend rate, cover based on previous year's earnings. γ Subj
to local tax. π Dividend cover in excess of 100 times. γ Divid
and yield based on merger terms. π Dividend and yield includ
special payment: Cover does not apply to special payment. A

on prospectus or other official estimates for 1989-90. J. Assumed dividend and yield after pending scrip and/or rights issues. K. Dividend and yield based on prospectus or other official estimates for 1989. L. Dividend and yield based on prospectus or other official estimates for 1990. M. Estimated annualized dividend cover and P/E based on latest annual earnings. N. Dividend yield based on prospectus or other official estimates for 1988. O. Dividend and yield based on prospectus or other official estimates for 1989-90. P. Figures based on prospectus or other official estimates for 1990.

REGIONAL & IRISH STOCKS
The following is a selection of Regional and Irish stocks, latter being quoted in Irish currency.

Craig & Rose £1.1	538	Arnott	485
Finlay Pkg. 50	830	Carroll (P. J.)	161
Holt (Jos) 25p	1348 -8	Hall (R. & W.)	187
		Hilton Hldgs.	108m
		IRE	218
		United Drug	165

IRISH	
Cap. 8 1/2% Ln 1991	£96 1/2
9pc Cap Ln 1996	£93 1/2
Fin. 13% 97/02	£110 1/2

TRADITIONAL OPTIONS	
3-month call rates	
Industrials	P
Allied-Lyons	42
	P & O Dfd.
	Polty Peck
	Rural Elect.
	RHM
	Rank Org Ord.
	Reed Insp.

BAT	67	Sears	4
BOC Exp	37	SmKJ. Beetham A.	3
BTR	40	TI	3
Burdays	37	TSL	1
Blue Circle	26	Yeco	6
Boots	29	Thorn EMI	1
Bowers	33	Trust Houses	16
Berk Aerospace	4	T&M	5
British Steel	9	Unilever	5

Charter Cons.	42		
Common Union	40		
Courtdolls	31		
Enrolment	65		
FKI	88		
FNFC	92		
Gen Accident	22		
GEC	19		
		Property	
		Brit Land	2
		Control Secs.	4
		Land Securities	4
		MEPC	1
		Mouldlegh	1

Guardian	19	Brit Petroleum	2
GKN	33	Burnham Oil	6
Hanson	15	Charterhall	2
Hawker Siddeley	18	Corroby Penlin	
ICI	90	Premier	10
Jaguar	25	Steel	
Ladbrokes	43	Tuskar Res	
Legal & Gen	31	Unicover	2
Leisure	34		

Lucas Inds.	54	Mines	
Marks & Spencer	16		
Midland Bk.	26	Loorbo	2
Morgan Grenfell	38	RTZ	4
Nat West Bk.	23		

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and D-Mark subdued

CURRENCIES traded quietly yesterday, lacking fresh factors. The market awaited further news on German reunification and the US trade figures on Friday. Mr Karl Otto Pöhl, president of the Bundesbank, attempted to reassure the financial markets after the recent sharp fall in West German Government bonds. He said: "We are not ready to discuss reunification by printing money", and added that fears about inflation are not justified. Mr Pöhl noted that unification will take time, and to avoid the risk of inflation the Bundesbank should maintain a tight monetary policy.

The D-Mark held steady, below the Italian lira and Spanish peseta, but towards the top of the European Monetary System. The D-Mark was fixed at L743.08 in Milan, virtually unchanged from Tuesday's London close, and finished in London last night slightly weaker at L742.75. The French franc remained one of the weaker EMS currencies and lost ground to the D-Mark, but there was no sign of Bank of France intervention. The D-Mark rose to FF3.4010 from FF3.4000 at the London close, and was fixed in Paris at FF3.4024.

The US trade deficit for December is generally expected

to show an improvement. A survey by Money Market Services points to a deficit of about \$9bn, compared with \$10.5bn in November. Fears surrounding Drexel Burnham Lambert were already well discounted in the market, and news that the company has filed for bankruptcy had no real impact. However, debate about the health of the other traders on New York's financial markets, as a result of the Drexel affair, overhung the dollar and dragged it lower.

At the London close the dollar had declined to DM1.6715 from DM1.6765, to Y144.35 from Y144.85, to SF1.4920 from SF1.4955, and to FF5.8850 from FF5.7000. The dollar's index eased to 67.0 from 67.1.

High London interest rates continued to underpin sterling, but the currency showed little overall change. The pound's index closed unchanged at 88.4. Sterling rose 55 points to

\$1.6965. It also improved to Y244.75 from Y244.00 and to FF5.6450 from FF5.6375, but was unchanged at DM2.8350 and at SF2.5300.

The South African financial rand remained volatile, as the Government in Pretoria challenged the economic policies of the African National Congress. Mr Gerrit Viljoen, Constitutional Development Minister, said the Government would go all out to expose the proven failure of these economic policies. He was referring to the ANC's proposals to nationalise sectors of the South African economy. President F.W. de Klerk commented that the crumbling of the "Communist Block" had exposed the bankruptcy of policies shared by the ANC.

In London the dollar rose to R3.57 from R3.43 against the financial rand, reflecting nervousness about the future of the South African economy.

EURO-CURRENCY INTEREST RATES

Feb 14	Short term	3 Months	6 Months	12 Months	1 Year
London	143-144	143-144	143-144	143-144	143-144
US Dollar	143-144	143-144	143-144	143-144	143-144
Swiss Franc	143-144	143-144	143-144	143-144	143-144
Japanese Yen	143-144	143-144	143-144	143-144	143-144
Deutsche Mark	143-144	143-144	143-144	143-144	143-144
French Franc	143-144	143-144	143-144	143-144	143-144
Italian Lira	143-144	143-144	143-144	143-144	143-144
Spanish Peseta	143-144	143-144	143-144	143-144	143-144
Portuguese Escudo	143-144	143-144	143-144	143-144	143-144
Belgian Franc	143-144	143-144	143-144	143-144	143-144
Dutch Guilder	143-144	143-144	143-144	143-144	143-144
Swedish Krona	143-144	143-144	143-144	143-144	143-144
Norwegian Krone	143-144	143-144	143-144	143-144	143-144
Finland Markka	143-144	143-144	143-144	143-144	143-144
Yugoslav Dinar	143-144	143-144	143-144	143-144	143-144
Czech Koruna	143-144	143-144	143-144	143-144	143-144
Slovak Koruna	143-144	143-144	143-144	143-144	143-144
Hungarian Forint	143-144	143-144	143-144	143-144	143-144
Polish Zloty	143-144	143-144	143-144	143-144	143-144
East German Mark	143-144	143-144	143-144	143-144	143-144
West German Mark	143-144	143-144	143-144	143-144	143-144

Long term Eurobonds: two years 8.5-8.75, three years 9.0-9.25, four years 9.5-9.75, five years 10.0-10.25. Short term rates are for US Dollar and Japanese Yen. Other rates are for 30 days.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 14	Day's spot	One month	Three months	Six months	One year
US Dollar	1.6715	1.6715	1.6715	1.6715	1.6715
Swiss Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Japanese Yen	1.6715	1.6715	1.6715	1.6715	1.6715
Deutsche Mark	1.6715	1.6715	1.6715	1.6715	1.6715
French Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Italian Lira	1.6715	1.6715	1.6715	1.6715	1.6715
Spanish Peseta	1.6715	1.6715	1.6715	1.6715	1.6715
Portuguese Escudo	1.6715	1.6715	1.6715	1.6715	1.6715
Belgian Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Dutch Guilder	1.6715	1.6715	1.6715	1.6715	1.6715
Swedish Krona	1.6715	1.6715	1.6715	1.6715	1.6715
Norwegian Krone	1.6715	1.6715	1.6715	1.6715	1.6715
Finland Markka	1.6715	1.6715	1.6715	1.6715	1.6715
Yugoslav Dinar	1.6715	1.6715	1.6715	1.6715	1.6715
Czech Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Slovak Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Hungarian Forint	1.6715	1.6715	1.6715	1.6715	1.6715
Polish Zloty	1.6715	1.6715	1.6715	1.6715	1.6715
East German Mark	1.6715	1.6715	1.6715	1.6715	1.6715
West German Mark	1.6715	1.6715	1.6715	1.6715	1.6715

Commercial rates taken from the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward rates are for 30 days. Other rates are for 30 days. UK, Ireland and ECU are quoted in US currency. Forward rates are for 30 days. Other rates are for 30 days.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 14	Day's spot	One month	Three months	Six months	One year
US Dollar	1.6715	1.6715	1.6715	1.6715	1.6715
Swiss Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Japanese Yen	1.6715	1.6715	1.6715	1.6715	1.6715
Deutsche Mark	1.6715	1.6715	1.6715	1.6715	1.6715
French Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Italian Lira	1.6715	1.6715	1.6715	1.6715	1.6715
Spanish Peseta	1.6715	1.6715	1.6715	1.6715	1.6715
Portuguese Escudo	1.6715	1.6715	1.6715	1.6715	1.6715
Belgian Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Dutch Guilder	1.6715	1.6715	1.6715	1.6715	1.6715
Swedish Krona	1.6715	1.6715	1.6715	1.6715	1.6715
Norwegian Krone	1.6715	1.6715	1.6715	1.6715	1.6715
Finland Markka	1.6715	1.6715	1.6715	1.6715	1.6715
Yugoslav Dinar	1.6715	1.6715	1.6715	1.6715	1.6715
Czech Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Slovak Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Hungarian Forint	1.6715	1.6715	1.6715	1.6715	1.6715
Polish Zloty	1.6715	1.6715	1.6715	1.6715	1.6715
East German Mark	1.6715	1.6715	1.6715	1.6715	1.6715
West German Mark	1.6715	1.6715	1.6715	1.6715	1.6715

Commercial rates taken from the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward rates are for 30 days. Other rates are for 30 days.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 14	Day's spot	One month	Three months	Six months	One year
US Dollar	1.6715	1.6715	1.6715	1.6715	1.6715
Swiss Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Japanese Yen	1.6715	1.6715	1.6715	1.6715	1.6715
Deutsche Mark	1.6715	1.6715	1.6715	1.6715	1.6715
French Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Italian Lira	1.6715	1.6715	1.6715	1.6715	1.6715
Spanish Peseta	1.6715	1.6715	1.6715	1.6715	1.6715
Portuguese Escudo	1.6715	1.6715	1.6715	1.6715	1.6715
Belgian Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Dutch Guilder	1.6715	1.6715	1.6715	1.6715	1.6715
Swedish Krona	1.6715	1.6715	1.6715	1.6715	1.6715
Norwegian Krone	1.6715	1.6715	1.6715	1.6715	1.6715
Finland Markka	1.6715	1.6715	1.6715	1.6715	1.6715
Yugoslav Dinar	1.6715	1.6715	1.6715	1.6715	1.6715
Czech Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Slovak Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Hungarian Forint	1.6715	1.6715	1.6715	1.6715	1.6715
Polish Zloty	1.6715	1.6715	1.6715	1.6715	1.6715
East German Mark	1.6715	1.6715	1.6715	1.6715	1.6715
West German Mark	1.6715	1.6715	1.6715	1.6715	1.6715

Commercial rates taken from the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward rates are for 30 days. Other rates are for 30 days.

EXCHANGE CROSS RATES

Feb 14	Day's spot	One month	Three months	Six months	One year
US Dollar	1.6715	1.6715	1.6715	1.6715	1.6715
Swiss Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Japanese Yen	1.6715	1.6715	1.6715	1.6715	1.6715
Deutsche Mark	1.6715	1.6715	1.6715	1.6715	1.6715
French Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Italian Lira	1.6715	1.6715	1.6715	1.6715	1.6715
Spanish Peseta	1.6715	1.6715	1.6715	1.6715	1.6715
Portuguese Escudo	1.6715	1.6715	1.6715	1.6715	1.6715
Belgian Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Dutch Guilder	1.6715	1.6715	1.6715	1.6715	1.6715
Swedish Krona	1.6715	1.6715	1.6715	1.6715	1.6715
Norwegian Krone	1.6715	1.6715	1.6715	1.6715	1.6715
Finland Markka	1.6715	1.6715	1.6715	1.6715	1.6715
Yugoslav Dinar	1.6715	1.6715	1.6715	1.6715	1.6715
Czech Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Slovak Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Hungarian Forint	1.6715	1.6715	1.6715	1.6715	1.6715
Polish Zloty	1.6715	1.6715	1.6715	1.6715	1.6715
East German Mark	1.6715	1.6715	1.6715	1.6715	1.6715
West German Mark	1.6715	1.6715	1.6715	1.6715	1.6715

Commercial rates taken from the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward rates are for 30 days. Other rates are for 30 days.

MONEY RATES

Feb 14	Day's spot	One month	Three months	Six months	One year
US Dollar	1.6715	1.6715	1.6715	1.6715	1.6715
Swiss Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Japanese Yen	1.6715	1.6715	1.6715	1.6715	1.6715
Deutsche Mark	1.6715	1.6715	1.6715	1.6715	1.6715
French Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Italian Lira	1.6715	1.6715	1.6715	1.6715	1.6715
Spanish Peseta	1.6715	1.6715	1.6715	1.6715	1.6715
Portuguese Escudo	1.6715	1.6715	1.6715	1.6715	1.6715
Belgian Franc	1.6715	1.6715	1.6715	1.6715	1.6715
Dutch Guilder	1.6715	1.6715	1.6715	1.6715	1.6715
Swedish Krona	1.6715	1.6715	1.6715	1.6715	1.6715
Norwegian Krone	1.6715	1.6715	1.6715	1.6715	1.6715
Finland Markka	1.6715	1.6715	1.6715	1.6715	1.6715
Yugoslav Dinar	1.6715	1.6715	1.6715	1.6715	1.6715
Czech Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Slovak Koruna	1.6715	1.6715	1.6715	1.6715	1.6715
Hungarian Forint	1.6715	1.6715	1.6715	1.6715	1.6715
Polish Zloty	1.6715	1.6715	1.6715	1.6715	1.6715
East German Mark	1.6715	1.6715	1.6715	1.6715	1.6715
West German Mark	1.6715	1.6715	1.6715	1.6715	1.6715

Commercial rates taken from the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward rates are for 30 days. Other rates are for 30 days.

LONDON MONEY RATES

Feb. 14	Overnight	One Month
Frankfurt	7.75-7.85	7.65-7.68
Zurich	8.25-8.35	8.15-8.20
London	8.25-8.35	8.15-8.20
Amsterdam	8.25-8.35	8.15-8.20
Paris	8.25-8.35	8.15-8.20
Madrid	12.5-13	12.4-12.5
Brussels	12.5-13	12.4-12.5
Stockholm	11.4-11.4	11.4-11.4

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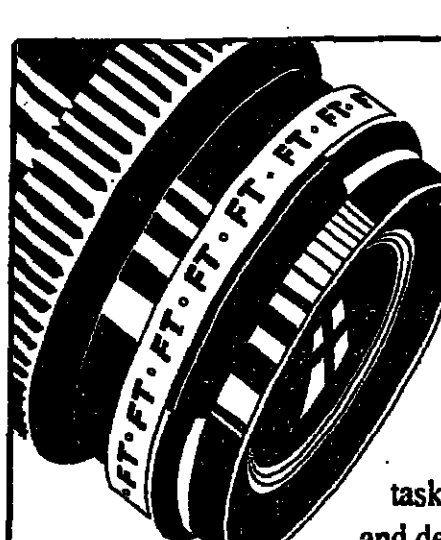
Sales Stock				Sales Stock				Sales Stock				Sales Stock							
High	Low	Close	Chng	High	Low	Close	Chng	High	Low	Close	Chng	High	Low	Close	Chng				
TORONTO																			
4pm prices February 14																			
4168 AMCA Inc	285	325	380	3	310 Corry A	205	245	204	4	4820 Lendear Co	514	545	145	1	20527 Shell Int	541	414	414	0
78CA AdBull PV	518	155	155	0	98357 Bort	510	105	105	0	235 Lomsett	825	225	225	0	6983 Sheratt	584	51	51	0
5035 Rogers E	518	115	115	0	1500 Cronin	512	125	125	0	235 Macdonell	512	225	225	0	9000 Sears	146	136	136	0
200 Alberta H	518	115	115	0	2000 Denson A	505	305	305	5	98800 M&K Kenda	527	27	27	0	5000 Southwest	525	25	25	0
9254 Bell	518	115	115	0	18000 Dasher	505	275	275	0	17300 Macmillan	517	17	17	0	3000 Spar Aero	510	10	10	0
14324 A Bernick	522	27	27	0	17700 Daniels	504	24	24	0	3704 Martineau I	518	18	18	0	59400 Stock A	520	20	20	0
1500 Able I	510	10	10	0	11000 Deane	504	24	24	0	3704 Martineau I	518	18	18	0	1000 TCC Baw	511	11	11	0
56232 BGE Inc	518	115	115	0	11000 Deane	504	24	24	0	52000 Manish	512	12	12	0	58000 Teck B	514	24	24	0
4457 BGE D	518	115	115	0	770 D Tancie	513	13	13	0	52000 Manish	512	12	12	0	100 Tambac A	501	9	9	0
5000 BGE D	518	115	115	0	88960 Dasher	512	12	12	0	2004 Manish	512	12	12	0	210 Term Ma	52	52	52	0
5000 BGE D	518	115	115	0	1200 B Ford A	512	24	24	0	50000 Manish	512	12	12	0	10000 Thermo	512	25	25	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	183254 Tor Dm Bk	517	17	17	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	100 Tor Gam	520	24	24	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	2100 Tor Gam B	520	24	24	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	20000 Total Pnt	520	24	24	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	56838 Trubius U	512	12	12	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	56838 Trubius U	512	12	12	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	56838 Trubius U	512	12	12	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	56838 Trubius U	512	12	12	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17	0	56838 Trubius U	512	12	12	0
5000 BGE D	518	115	115	0	10700 Dyer A	504	6	6	0	15000 Manish	517	17	17						

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Wednesday February 14 1990

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4pm prices February 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES


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NASDAQ NATIONAL MARKET[illegible]

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FINANCIAL TIME

AMERICA

Caution reigns in subdued session

Wall Street

A QUIET day on Wall Street saw equities trading in a narrow range as traders remained cautious after the bankruptcy protection filing by Drexel Burnham Lambert, writes Karen Zagor in New York.

The Dow Jones Industrial Average closed up 0.22 at 2,624.32, against a gain on Tuesday of 4.96 to 2,624.10. Volume on the New York Stock Exchange was moderate, with 32m shares changing hands.

Of the other market indices, only the Standard & Poor's 500 posted gains throughout the day, closing up 0.99 to 332.01. The New York Stock Exchange Composite fell 0.36 to 183.81 and the American Exchange Composite lost 0.33 to 358.78.

The stock market's decline came on the back of weaker prices for government bonds, following the news that Drexel Burnham Lambert had filed for bankruptcy protection. The Treasury's benchmark 30-year bond slipped $\frac{1}{8}$ to yield 8.39 per cent.

Equities started the day on a

stronger note, with the Dow gaining about 15 points in the morning with support from increased buying in the technology sector, especially in International Business Machines. IBM gained $\frac{1}{4}$ to \$108 in active trading. The January high for IBM shares was \$101.

A number of other technology stocks rose yesterday morning. Compaq Computer gained $\frac{1}{4}$ to \$97, Cray Research rose $\frac{1}{4}$ to \$46, Hewlett-Packard was up $\frac{1}{4}$ to \$46.

Several blue chip issues posted gains in morning trading before falling later. American Telephone & Telegraph was unchanged at \$40, Coca-Cola rose $\frac{1}{4}$ to \$57, Procter & Gamble was up $\frac{1}{4}$ to \$61, and Boeing added $\frac{1}{4}$ to \$63.

First Interstate Bancorp was one of the most active issues on the New York Stock Exchange throughout the day. Shares in the company jumped $\frac{3}{4}$ to \$34 following an offering of 7.5m common shares at \$33 each. An affiliate of Kohlberg, Kravis, Roberts will buy 3.8m of the shares and will hold a 10 per cent stake in

First Interstate

Great Northern Nekeosa gained $\frac{1}{4}$ to \$64 in active trading. Late on Tuesday the company authorised Goldman Sachs to solicit higher take-over bids. Georgia-Pacific has offered \$63-a-share for the company.

UAL, parent of United Air Lines, slid $\frac{1}{4}$ to \$131 after reports that the company's chairman, Mr Stephen Wolf, was unlikely to be a potential participant in an employee buy-out of the United Airlines unit.

ASA, which invests in South Africa stocks, dropped $\frac{1}{4}$ to \$59, after plunging more than \$4 earlier in the day. The decline reflected continued selling of South African Gold Stocks.

A number of other precious metals issues also moved lower, including Homestake Mining, down $\frac{1}{4}$ to \$22, Battle Mountain Gold, off $\frac{1}{4}$ to \$17 and Newmont Gold, which lost $\frac{1}{4}$ to \$56.

DeSoto gained $\frac{1}{4}$ to \$40, after the company's board said DeSoto should pursue a \$50-a-share takeover bid by Sutton Holdings.

Among other features stocks, Centrex rose $\frac{1}{4}$ to \$8 on reports that interstate banking is likely to be approved by the Connecticut legislature sooner than expected.

Thomson McKinnon Asset Management planned \$1 to \$4 after a report that the partnership's share price was not low enough to attract an outside buyer.

Canada

SHARE prices showed little movement during the Toronto session, with the 300 composite index closing down 1.48 to 3,750.38, with falls outnumbering advances 355 to 287. The volume of 22,764,000 shares was down from Tuesday's 26,672,000 shares. Trading volume also fell to 62,326.8m from 62,822.5m.

Among metal producers, Noranda rose $\frac{1}{4}$ to \$32, and Alcan climbed $\frac{1}{4}$ to \$23.

Maple Leaf Gardens gained $\frac{1}{4}$ to \$48 in this trading. An Ontario court has found company president and chief executive Harold Ballard incompetent of managing his affairs.

German interest enlivens Europe

Simon Greaves analyses a set of strong turnover figures for January

THE record-breaking run by West Germany generated stock exchange turnover worth DM224bn in January, while activity improved in most other European countries with the exception of France.

West Germany's turnover total was a 43 per cent improvement on the December level, two-and-a-half times the level in the same month in 1989 and easily the busiest month on record for the country's eight stock markets.

The prospect of German reunification after the breaching of the Berlin Wall in November and the collapse of Communism in eastern Europe were enough to tempt many local investors into the market for the first time since the worldwide October mini-crash.

Renewed domestic interest coincided with sustained buying pressure from overseas individuals and institutions, eager to establish footholds at the gateway to the East.

Mr James Connish of County NatWest WoodMac says: "West Germany saw a very rapid day-by-day rise at the begin-

ning of January, then, after the first 10 days of the month, it moved back to more normal levels. "We then had another enormous pick-up in turnover at the end of the month. There were two sharp surges which

and doubt about the future of President Mikhail Gorbachev's leadership only trimmed share prices marginally.

Mr Jens Wierck, a director of Merck Finck, the West German private bank, says that

France, which was the only European country in which volume shrank during January. Investors in France were preoccupied by interest rate worries.

The intensifying interest in West Germany spilled over into neighbouring markets such as Switzerland, the Netherlands and Belgium. Activity in the Netherlands, particularly among local investors, was also boosted by selling last month as the market reacted, after a series of disappointing statements from leading companies, while fixed interest investments became more attractive. Turnover recovered almost to the level of the busier months of last year.

Italy found encouragement in better trade figures, and returned to last autumn's respectable levels. Turnover in January was more than 55 per cent up on the December total. One analyst said: "There was quite a lot of interest from foreigners coming into the market in January, although this has dissipated recently."

Germany gained as institutions reduced holdings in

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn)					
Source	Jan 1990	Dec 1989	Nov 1989	Oct 1989	Sep 1989
Belgium	63.97	58.7	70.0	89.5	85.2
France	129.1	131.7	96.4	174.8	145.8
Germany	224.4	157.1	110.9	104.6	104.5
Italy	21.22	13.64	13.26	20.01	21.00
Netherlands	18.3	10.6	16.1	19.2	18.6
Spain	497	443.4	419	522.0	603.0
Switzerland	20.4	15.4	16.6	20.8	20.5
UK	30.7	27.1	26.2	32.2	32.5

Volumes represent purchases and sales. Sales and Belgium data estimated. Figures are in billions of local currency. Some figures may be revised. Source: County NatWest WoodMac

both coincided with foreign buying interest, particularly from Japan, but also from the UK and the US.

Japanese buyers concentrated on well-known stocks such as Siemens, Volkswagen or Deutsche Bank.

The emergence of political instability in the Soviet Union

EUROPE

Perrier and GBL retreat further in active trading

SOURCE PERRIER and Groupe Bruxelles Lambert dominated trading in France and Belgium, as share prices of both continued to slide, writes Karen Zagor in New York.

FARIS watched Perrier's share price plummet again, before a late rally. However, news that the company was withdrawing its mineral water stocks worldwide, which it said would cost it about FF400m before tax, came after the market had closed.

The market had a nervous day, as worries about higher interest rates persisted, but shares managed to close slightly higher. The CAC 40 index rose 8.56 to 1,553.99 in mediocre turnover of about FF2.5bn.

Perrier trimmed an early 9 per cent fall to 4 per cent, or FF60 to FF61.43 at the close, a decline of 16.5 per cent so far this week. Trading in the issue was active, with 269,125 shares exchanged.

The company's West German distributor said yesterday that it had found traces of benzene in Perrier water, following similar discoveries in the US at the weekend. Eurotunnel retreated by FF3.55, or 6 per cent to FF36.10 on fear of financing difficulties. L'Oréal dropped FF164 to FF145 on market disappointment with its sales figures. "At the moment, the market will pounce on anything that looks slightly disappointing, and mark it down savagely," said one observer.

Pechiney, the metals group, gained FF7.40, or 5 per cent, to FF153.40 after reporting good turnover figures.

BRUSSELS again finished lower, with Groupe Bruxelles Lambert, the holding company, down a further 3.2 per cent after announcing that it would write off entirely its 20 per cent stake in Drexel Burnham Lambert, the troubled US securities group, at a cost of BF3.2bn.

The cash market index ended down 50.01 points lower at 5,800.06 after its 2.9 per cent fall on Tuesday. Trading in GBL was a relatively heavy 26,250 shares as it lost BF130 to BF133.940.

FRANKFURT drifted down after a positive start, and the DAX index eased 8.75 to

1,532.23, following a 7.42 fall to 789.05 in the FAZ at mid-session. Turnover slipped from DM7.7bn to DM6.5bn.

Sentiment was dampened by continued uncertainty about the ramifications of monetary union between East and West Germany, and foreign investors were reluctant to take positions before today's Bundesbank meeting.

"Many people are now resigned to the fact that German interest rates are going up and there is a great deal of uncertainty and nervousness around," an analyst said.

The banking sector again came under pressure because of interest rate and bond market worries. Deutsche Bank closed DM8 lower at DM795.50.

Automotive companies were mixed, but BMW again moved against the trend on several large buy orders from Japanese investors, closing DM4.50 higher at DM226.50.

MILAN fell in moderate trading on the last day of the February account, with the Comit index down 2.69 at 663.86. Declines were marked in the chemical sector, with Montedison losing L20 to L1,591, falling to L1,578 after the close. Enimont fell L11 to L1,479 after Wednesday's shareholders meeting on long-term strategy was adjourned early, pending a meeting with the Italian Premier, Mr Giulio Andreotti.

Stet, the telecommunications group, gained L63 to L4,988 on renewed discussions with the

SOUTH AFRICA

THE JOHANNESBURG market plunged, with the JSE Gold Index falling 108 to 1,921 while the Industrial Index slid to 3,051, a fall of 84.

Foreign investors continued to sell stock amid concern over Mr Nelson Mandela's hard-line stance on talks with the South African Government and the issue of nationalisation.

Gold shares continued to slide. Vaal Reefs fell R21 to R379 and Deelkraal lost R2 to R16.50. Diamond share De Beers fell R2.85 to R26.5. In industrial, Barlows fell R2.75 to R47 and S.A. Breweries shed R1.50 to R36.

Government over the reform of the telecommunications sector. Benetton, the clothing retailer, rose L79 to L8,480 in the wake of Monday's news that it was pulling out of most financial services.

AMSTERDAM ended mixed, with the market still plagued by interest rate worries. The CDS tendency index closed unchanged at 108.7.

Van Ommen Ceteo, the shipping, transport and trading group, was buoyed by continued takeover talk. It added F1.80 to F140.70.

A strike at two Dutch brewing units affected Heineken, down F12.80 at F110.20.

ZURICH eased in light volume, after a small rise in early trading. Credit Suisse index lost 1.0 to 689.9.

Union Bank's bearish gains added SF55 to SF395 and its certificates added SF5 to SF146 on speculation over dividend prospects, and its policy on voting rights.

Pargesa bearers lost a further SF145 to SF1,510. It said that its 25 per cent stake in Lambert Brussels Associates, which in turn holds about 55 per cent of Drexel Burnham Lambert, was too small to affect Pargesa's performance.

OSLO closed mostly higher, boosted by rises in markets abroad. The all-share index rose 2.64 to finish at 606.81.

However, bank prices slid after Bergen Bank and Den norske Creditbank revised upwards their expected 1989 loan losses by NKR90m to NKR326m. The move indicates that the entire banking sector may be weaker than expected.

Bergen lost NKR7 to NKR187 and DnB fell NKR2 to NKR93.

STOCKHOLM closed mixed in thin trading. Investors remained concerned about the unstable political situation, which may lead to the Government's resignation.

The Affarsvärlden General index fell 5.5 to 1,188.5 on turnover of SEK152m.

MADRID weakened after the previous day's news of a 1 per cent rise in the January consumer price index and following declines in foreign markets. The general stock index fell 0.74 to 322.61.

ASIA PACIFIC

Prices slide as investors take fast profits

Tokyo

REPORTS that Drexel Burnham Lambert was considering Chapter 11 bankruptcy protection in the US put a further dampener on Japanese investor sentiment yesterday, writes Michiko Nakamoto in Tokyo.

The Nikkei average opened slightly higher, drifted lower by the afternoon, and rose again on a late bout of index-linked buying to end with a modest gain of 48.86 at 37,155.89. During the day it moved within a narrow range from a high of 37,183.26 to a low of 37,018.26.

Volume improved from Tuesday's 277m shares to 375m, the Topix index of all listed stocks saw a marginal gain of 0.97 to 2,732.30 and, in London, the ISE/Nikkei 50 index rose 6.06 to 2,010.3.

Stability on the currency front joined index-linked buying to form the main supports of the day, but in an uncertain market environment investors largely chose to take their profits. The company is expected to eliminate its recurring

loss in 1989/90 for the first time in six years. Investors were also attracted by rumours of speculators looking into the issue. Akai closed Y10 higher at Y1,030.

Issues with good earnings and low price/earnings ratios were popular. Tokyo Steel, the electric furnace steel maker, has become representative of such issues. It firmed Y40 to Y5,650 as investors anticipated the scrip issue planned for the end of March.

Max, an office equipment manufacturer specialising in nailers and staplers, surged Y390 to Y3,100 in active trading. It was favoured for a likely 10.5 per cent rise in recurring profits in the year to March.

Max also has a relatively low P/E ratio.

Activity in Osaka picked up on interest in high-tech electricals. But buying in that area was not enough to overcome selling pressure elsewhere, and the OSE average ended 131.86

lower at 38,408.31. Volume was 47.4m shares, up from the 34.9m traded on Tuesday.

Roundup

MOST REGIONAL markets moved higher, with Australia regaining some confidence after its recent weak spell.

AUSTRALIA rose for a second day as a weak local dollar and hopes of lower interest rates encouraged investors. The All Ordinaries index closed at its day's high of 1,636.7, up 8.5. Active trading in bank shares boosted volume to 111m shares worth A\$25m, compared with Tuesday's 81m and A\$17m.

In the banking sector, National Australia rose 4 cents to A\$6.56 with 3.04m shares traded, including a special sale of 2.5m shares, and Westpac eased 6 cents to A\$5.64 on volume of 3.5m shares, including one block of 8m shares.

News Corp, which reports

interim results today, rose for a second session, picking up 40 cents to A\$10.58. By Monday's close, the stock had fallen 32 per cent from its year's high.

Adelaide Steamship also continued to recover after announcing results on Tuesday, adding 8 cents to A\$5.30.

Bougainville Copper dropped 5 cents, or 4 per cent, to A\$1.20 after reporting a loss on Tuesday and warning that the costs of reopening its Papua New Guinea mine, which has been closed by violence since May, would be high, while a failure to resume mining there would significantly reduce the value of its assets.

NEW ZEALAND welcomed profits figures from Fletcher Challenge, the country's biggest company, but share prices finished off their day's highs.

The Barclays Index ended at 1,879.41, up 7.05, after rising about 20 points earlier. Fletcher Challenge, which said first-half profit had risen 9 per

cent, rose 8 cents to NZ\$4.23.

HONG KONG edged higher but turnover remained below last week's levels. The Hang Seng index added 6.88 to 2,870.43 on turnover of HK\$988m, up from Tuesday's HK\$780m.

Chinese Estates fell 27 cents to HK\$2.12 after minority shareholders rejected Evergo's offer of HK\$2.80 a share.

TAIWAN rose in moderately busy trading. The weighted index, which had fallen 287.57 on Tuesday, gained 104.95 to 12,231.91, recouping a decline of 188 points in the first hour of the session.

MANILA shares were mixed in fairly active volume, with interest focusing on Kuok Philippine Properties on its first day of trading. Kuok closed at 1.06 pesos, up from its float price of 1 peso, but below its opening price of 1.12 pesos. The composite index rose 2.97 to 1,069.07.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 14 1990					TUESDAY FEBRUARY 13 1990					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Point	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Point	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)	
Figures in parentheses show number of stocks per grouping													
Australia (84)	141.82	-0.8	123.94	126.78	+0.6	5.31	142.98	125.36	126.05	160.41	126.28	146.09	
Austria (19)	248.27	+0.8	216.97	215.73	+0.2	1.23	246.22	215.97	215.96	248.58	92.84	98.89	
Belgium (61)	139.52	+0.0	121.93	120.25	-0.8	4.83	136.58	122.98	120.99	160.02	125.58	136.68	
Canada (100)	139.04	+0.5	122.29	122.31	+0.0	3.26	140.70	123.36	122.26	154.17	124.67	135.15	
Denmark (36)	253.85	+1.0	221.85	222.81	+0.3	1.44	251.32	220.35	221.92	260.82	195.35	158.60	
Finland (28)	150.08	+0.3	131.15	124.17	-0.2	2.39	149.83	131.19	124.43	158.16	118.83	145.43	
France (125)	148.63	+0.8	128.32	130.94	+0.3	2.88	145.98	127.97	130.51	157.97	112.57	115.71	
West Germany (98)	129.48	+0.8	113.15	111.25	+0.3	1.35	130.29	114.23	113.56	137.01	70.59	85.93	
Hong Kong (48)	118.24	+0.3	102.58	118.54	+0.3	4.83	117.90	103.97	118.23	140.33	86.41	129.32	
Ireland (17)	163.26	-0.3	166.90	171.86	-0.7	2.43	163.92	170.02	173.05	198.57	125.01	138.53	
Italy (98)	95.52	-0.1	83.48	88.57	-0.5	2.59	95.88	83.57	89.00	102.11	74.97	90.05	
Japan (459)	162.24	+0.1	166.24	167.50	+0.4	0.48	162.81	160.86	167.40	164.22	160.22	160.22	
Malaysia (36)	241.28	-0.1	227.87	227.07	-0.9	2.11	243.41	213.41	233.54	243.67	143.55	156.92	
Mexico (13)	573.84	+0.9	528.71	1116.27	+1.0	0.46	570.48	324.82	1105.02	373.84	253.32	161.61	
Netherlands (43)	137.14	-0.2	119.85	117.86	-0.1	4.86	136.49	116.99	117.97	145.68	112.84	112.84	
New Zealand (18)	66.48	-1.4	68.06	68.03	-0.5	5.80	67.42	59.09	60.29	88.18	59.63	74.02	
Norway (24)	237.61	-0.7	207.85	203.37	-0.3	2.07	236.68	207.46	209.68	261.33	138.36	138.36	
Singapore (26)	193.23	+0.1	170.64	167.59	+0.0	1.74	195.10	171.05	167.68	199.38	124.57	140.81	
South Africa (60)	126.72	-8.2	77.03	159.04	-4.5	3.80	221.99	194.63	198.47	251.39	125.55	124.58	
Spain (43)	155.96	+0.6	136.29	127.78	+0.4	4.11	154.98	135.88	127.28	169.75	143.14	146.45	
Sweden (35)	188.80	+0.3	164.99	171.16	+0.0	2.05	188.17	164.96	171.19	206.95	138.45	148.67	
Switzerland (32)	96.15	+0.3	84.03	88.94	+0.3	2.02	96.87	84.01	88.91	99.12	87.21	87.21	
United Kingdom (309)	132.98	+0.3	133.28	133.58	+0.2	4.58	136.09	136.61	136.61	164.31	133.28	151.75	
USA (542)	134.36	+0.3	117.41	134.35	+0.3	3.53	133.97	117.46	133.97	146.29	112.15	119.78	
Europe (980)	141.81	+0.2	123.93	126.80	-0.1	3.46	141.48	124.03	124.09	148.88	112.63	119.81	
Nordic (121)	194.67	+0.6	168.72	168.72	-0.2	1.75	192.96	166.18	165.80	201.89	137.95	145.57	
Pacific Basin (687)	179.69	+0.1	157.05	164.04	+0.1	0.73	179.52	157.39	163.92	194.72	160.44	193.26	
Europe - Pacific (1636)	164.74	+0.1	143.97	148.94	+0.0	1.69	164.50	144.22	148.05	174.18	141.96	160.83	
North America (652)	134.59	+0.2	117.62	135.50	+0.3	3.94	134.58	117.73	134.58	146.26	112.79	112.79	
Europe Ex. UK (663)	130.08	+0.1	113.98	114.77	-0.3	3.72	130.01	113.98	113.98	146.26	112.79	112.79	
Europe Ex. UK Ex. Ireland (12)	114.59	+0.4	102.58	102.58	+0.4	4.74	132.04	115.77	120.10	140.05	110.93	133.01	
World Ex. US (1849)	164.39	+0.0	143.66	147.61	+0.0	1.75	164.95	144.20	147.68	173.77	141.49	162.46	
World Ex. US (2045)	182.05	+0.1	132.86	143.54	+0.1	2.06	181.34	132.43	147.47	182.00	136.98	145.54	
World Ex. So. Af. (2331)	152.38	+0.2	133.12	142.95	+0.1	2.29	152.02	142.96	142.96	161.84	136.87	145.54	
World Ex. Japan (1938)	138.15	+0.1	120.73	139.59	+0.1	3.64	138.09	121.02	130.45	145.52	114.51	129.50	
							138.09	121.02	130.45	145.52	114.51	129.50	